

202TT26

by Anu Cde

Submission date: 16-Feb-2026 04:57PM (UTC+0530)

Submission ID: 2880594282

File name: 202TT26_-_REVISED.pdf (3.07M)

Word count: 74745

Character count: 433062

TRAVEL AGENCY & TOUR OPERATIONS MANAGEMENT

MASTER OF BUSINESS ADMINISTRATION
(TRAVEL & TOURISM MANAGEMENT)

FIRST YEAR,
SEMESTER-II, PAPER-II

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MBA (TTM): TRAVEL AGENCY & TOUR OPERATIONS MANAGEMENT

11
First Edition : 2025

No. of Copies :

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This book is exclusively prepared for the use of students of MASTER OF BUSINESS ADMINISTRATION (TRAVEL & TOURISM MANAGEMENT) Centre for Distance Education, Acharya Nagarjuna University and this book is meant for limited circulation only.

Published by:

Prof. V. VENKATESWARLU
Director, I/c
Centre for Distance Education,
Acharya Nagarjuna University

Printed at:

FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A+' grade from the NAAC in the year 2024, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 221 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.Sc., B.A., B.B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities and in turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson-writers of the Centre who have helped in these endeavors.

*Prof. K. Gangadhara Rao
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Vice-Chancellor I/c
Acharya Nagarjuna University.*

**MASTER OF BUSINESS ADMINISTRATION
(TRAVEL & TOURISM MANAGEMENT)**

Programme Code: 196

PROGRAMME SYLLABUS

1st YEAR – 2nd SEMESTER SYLLABUS

**202TT26 TRAVEL AGENCY & TOUR OPERATIONS
MANAGEMENT**

Objectives –

- a) To enable students with a clear understanding of the travel agency and tour operations Functions.
- b) To understand the current trends and practices in the tourism and travel trade sector
- c) To enrich sufficient knowledge and update the skills related to the travel industry.
- d) To familiarize with foreign currency exchange rules and regulations.

Unit - I

INTRODUCTION TO TRAVEL & TOURISM: Concept of Travel & Tourism - Travel Trade: Travel Agency and Tour Operations Business - Types of Travel Agency & Tour Operations Business - Role and Contribution of Travel Companies in the growth and Development of Tourism Travel Trade - Inbound and Outbound Tours - The Changing Environment.

Learning outcome:

- Provides knowledge on the evolution of Travel agency & tour operations business.

Unit - II

ORGANIZATIONAL STRUCTURE: How to start a Travel Business - Choice of Travel Agency Business Organization Structure and Working of Travel Agency & Tour Operators - Procedure for approval of Government of India and IATA of Travel Agency & Tour Operators - Functions of Travel Companies.

Learning outcome:

- A Clear understanding of travel agency organizational structure with functions

Unit - III

TOUR PACKAGING MANAGEMENT: Types of Tour Packages - Components of a Standard Package Tour - Tour Design Process - Significance of Package Tours - Tour Package Pre Information - Review of Package Tours offered by Public-Private Sector Tourism Enterprises in India.

Learning outcome:

- Aware of different tour packages for different segments of tourists.

Unit -IV

FOREIGN EXCHANGE: Forex Market – Meaning – Participants in the Market – Determinants of Exchange rates – Rates conventions – Trading: Purchases – Sales – Currencies and codes – Exchange controls – RBI in currency intervention – FEMA, 1999 – Significance of Forex in Tourism.

Learning outcome:

- Understand existing rules & regulations under RBI

Unit - V

TRAVEL PROCEDURES: Formalities: Passport, Types – Visa, Types – E-Visa – Ticket – Medical Taxes – Customs – Currency – Principles: Suitability, Appropriateness, Availability, Speed, Cost, Dependability – Record-Keeping – Coordination – Back-office functions. (Travel Accounts etc.)

Learning outcome:

- A better understanding of all the travel procedures

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Topics for Internal Practicals

1. Itinerary preparation of a tour package for 5 days and 6 nights to South India.
2. Golden Triangle tour itinerary preparation for 6 days and 7 nights including other important scenic beauty tourist destinations.
3. Brochure preparation of the Pancharama tour
4. Prepare one popular eco-tourism package tour in Andhra Pradesh.

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2. Chawla Romila, Tourism Services, and Operations Arise, Publishers and Distributors, New Delhi, 2006.
3. Travel and Tourism Management/edited by Prakash Talwar. Delhi, Isha Books, 2006, 4 vols.
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LESSON - 1

**CONCEPT OF TRAVEL & TOURISM – TRAVEL
TRADE****Learning Objectives**

After studying this lesson, the learner will be able to:

- Explain the concept and scope of travel and tourism
- Analyse the nature and components of the tourism system
- Distinguish between travel, tourism, and travel trade
- Apply the structure of travel trade in tourism operations
- Evaluate the economic and managerial significance of tourism

Course Structure

1.1 Introduction

1.2 Travel Trade

1.3 Origin Of Travel Agency Business

1.4 Travel Agency In India

1.5 Intercontinental Tour

1.6 First Indian Owned Travel Company

1.7 Keywords

1.8 Self Assessment Questions

1.9 Further Readings

1.1 Introduction

Tourism has become one of the world's largest and fastest growing industries. Travel for holiday is a way of life with more and more people. Two decades ago, tourism was a luxury product available only to those who had time and money to spare. It is today available to particularly everyone in the developed countries and to an increasingly large number of people in the developing countries.

Tourism is the largest industry in the world. It is recognized by the World Bank and World Tourism Organization. In India, it was in 1949 that a tourism cell was created in the development of transport. This was the beginning of a process that culminated in the formation of a separate Ministry of Tourism under the charge of a Cabinet Minister in the 1960's.

³⁴ Tourism was recognized as an industry. In 1986 and because eligible for several incentives and facilities including tax incentives and priorities in the sanctions of loans by the state financial incentives. In July 1991, tourism was also developed as priority sector for foreign investment.

Tourism has become a potent instrument for achieving national integration, better International understandings and ultimately powerful co-existence for the people of the world.

- It is an emblem of peace and it is a greatest employment generator too.

Tourism is a second largest part environment (employee) in the world ever 7 employees 3 jobs related to travel and tourism industry in the world. Tourism is third largest in 39 Countries, 15 countries has largest environment.

- Today travel and tourism has been recognized largest item in world trade . already ⁶⁵ accounting for more than 8.5% total world trade, 30% Service sector and 12% global employment ³⁴ Tourism is presently India's largest foreign exchange earner after Gems and Jewelers and readymade Garments. ⁴⁰

The most significant feature of the tourism industry is its contribution to sustainable human development including Poverty alleviation an, Employment Generation and Environmental regeneration particularly in remote and back word areas.

“ Tourism in the temporary short term movements of the people to destinations outside the places, where they normally live and work and the activities during the stay at this destinations it includes movement of all purposes. The stay does not imply the establishment of a permanent residence and is not connected with a remunerated activity.”

Activity 1: Reflective Analysis Task

Task:

Identify any one travel agency or online travel platform operating in India. Analyse its role in the travel trade and the services it provides.

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Expected Learning Outcome:

Learners will understand the practical functioning of travel trade intermediaries.

1.2 Travel Trade**Travel Trade – A Historical Prospective:**

10

The travel agency business has undergone significant changes in the last two decades. Gone are the days when there were no formal travel intermediaries to help travelers visit places of interest. Several travel obstacles discouraged people to travel distance places. Only a selected few managed to travel due to their own curiosity, motivation and spending ability. Many could not make it due to the lack of communication network along with facilities and amenities. Leaving behind the job of a travel agent, a destination did not even have minimum facilities to hold the visitors for an hour long. So many changes have taken place over the centuries. Tourism destinations are connected by modes of transport and visitors find a place of stay at the destinations. When modern communication system came into existence in 18th and 19th centuries, the world could witness mass travel leading to the demand of luxury transport and advance arrangement of stay and sightseeing. Those advance bookings of train, ferry, bus, airlines, theater hall, entry fees, etc were organized by a person with sound experience and information. In the beginning of travel agency business, travel agents could help their own community members or fellow members travel safely. Later, it became a formal business with all professional practices. Gradually, the business has grown in such a scale that competitive multinational travel companies have entered into this travel business. This lesson will explain the origin of travel agency business in the world with reference to the contribution of Richard Cox and Thomas Cook for having set up professional travel agency in the 18th and 19th centuries respectively.

1.3 Origin Of The Travel Agency Business

The nature of travel agency business is to provide holiday-related services such as ticket booking, transfer arrangement, hotel room booking and arrangement of ground transportation, venue selection and booking for MICE activities. The scope of business of travel agents was narrow and confined to selected services. Moreover, the business was managed with small investment. It was risky business as it was depending upon the natural and socio-political along with cultural factors. The amount of profit was too little to attract new entrants to do this business. A number of restrictions were imposed by the government on travel agents and tour operators for entry into tour operation business. Tour operators had no choice, but to deal with other problems like confirmation of hotel rooms, safety in travel, quality of foods, travel documents, volatile political system, language differences, cultural differences, cumbersome and tedious travelling, long journey, etc. However, invention of railways and steamship as a common mode of transport changed the perceptions of people on travelling distance places. Thus, Thomas Cook could emerge as the first professional Travel Agent in the wake of introduction of affordable railway services in the United Kingdom. However, prior to Thomas Cook, Cox & Kings introduced travel business in UK. You will read about the contributions of these two big travel agents along with a couple of other travel agents in Europe, USA and India in this lesson

Some important points of the Travel Trade Historical Prospective:

- In 1841 Thomas Cook organized a trip by a train for 570 members of his association to a distance of 12 miles
- He brought railway tickets in bulk to sell them back to people.
- The experiment was successful and everybody was praised
- After 4 years later 1845 he set up a World First Travel Trip Agency to organize excursions.
- Due to this innovative approach Mr. Cook is Known as the Father of Travel Agency Business.
- In 1855 Mr. Cook started Operating Package Tours, He conducted the World's first International Tour from England to Paris.
- This was an 'Inclusive Tour' in this way he developed the concept of Inclusive Tour.

In the Same incidence 1841 Henry Wells started his Freight Business in USA.

- Thomas Cook's Company is still by the name – Thomas Cook and Sons
- While Henry Wells Company is known as American Express Company.

1870 in order to eliminate payment in cash, Mr. Cook introduced two systems

- Travelers Cheques
- Hotel Vouchers

While American Express introduced

- Credit Cards
- Travelers Cheques

1.4 Travel Trade In India:

The Travel Agency Business in India is relatively new. At the time of Independence, there was any travel Company work the name in the present content

- The Travel Business in India, in an organized manner started with setting of Travel Agents Association of India (TAAI) in Mumbai in 1951.
- Prior to it there were two major foreign companies i.e., Thomas Cook and The American Express with their main branches.
- Indian Companies like – Jeena & Company, Lee and Muirhead India Pvt. Limited and Jamnadas and Company Limited, operating in India.
- In 1920 Jeena and Company, the first Indian Travel Agency organized Group Tours abroad and in India.

However, Jeena and Co and the other two Indian Travel Agencies were merged into one Composite Travel company known as Travel Corporation of India (TCI) in 1961. After this there was no of travel companies established in India such as SITA (1963), Thomas Cook India Ltd., Cox & Kings, etc. Presently there were around 1000 travel Agencies / Companies on the approval list of Department of Tourism, Govt. of India. **Case Study**

Introductory Case Study:

“The Rise of Online Travel Platforms and Transformation of the Indian Travel Trade”

1. Background of the Organisation / Sector

The Indian travel and tourism industry has undergone significant transformation over the past two decades. Traditionally, travel services were dominated by brick-and-mortar travel agencies that handled ticketing, tour packages, hotel bookings, and travel documentation. With liberalisation, technological advancement, and digital connectivity, online travel agencies (OTAs) such as MakeMyTrip, Yatra, Cleartrip, and international platforms like Booking.com and Expedia entered the Indian market.

According to reports from the Economic Times and the Ministry of Tourism, India's travel market has grown rapidly due to rising disposable incomes, expansion of middle-class consumers, and increased domestic and international mobility.

2. Contextual Trigger or Problem Situation

The emergence of digital platforms disrupted the traditional travel trade. Customers began to compare prices online, book tickets independently, and demand customised travel experiences. Traditional travel agencies faced declining customer footfall, pressure on commissions, and the need to adopt digital tools.

The key challenge was whether traditional travel agencies could survive in a highly competitive environment dominated by technology-driven travel services.

3. Stakeholders Involved

- Traditional travel agencies and tour operators
- Online travel platforms (OTAs)
- Airlines, hotels, and transport providers
- Tourists (domestic and international)
- Government and regulatory authorities

4. Behavioural / Managerial Issues

- Changing consumer behaviour towards online booking
- Need for technological adoption in travel trade
- Price competition and reduced margins
- Requirement for value-added services and personalised travel solutions

5. Importance of the Case for the Lesson

This case highlights the evolving nature of travel and tourism and the critical role of travel trade intermediaries. It demonstrates that understanding the concepts of travel, tourism, and travel trade is essential for analysing contemporary tourism business models.

6. Linkage to Lesson Concepts

The case is directly linked to:

- Concept and meaning of travel and tourism
- Structure and components of travel trade
- Role of intermediaries in tourism
- Economic and managerial significance of tourism

Thus, the case provides a practical foundation for understanding the theoretical concepts discussed in this lesson.

1.5 Intercontinental Tour

Thomas Cook conducted the tour to the USA in the North American continent. He introduced the ready-made package tour to London, Paris, Rome and Geneva. In the subsequent time, the Atlantic Ocean was crossed for conducting outbound tours to North America. It was Mr. John

Mason Cook (son of Thomas Cook) who conceived the operation and management of the first-ever American tour. Thomas Cook undertook an exploratory trip to the North America in 1865 for the sake of gathering information about the transport, accommodation, food, sightseeing, safety and security, etc. The Company extended its operation to Egypt and Palestine in the year 1869 in order to cater the demand for visiting Pyramids in Egypt and religious visit to Jerusalem. He managed to develop a system of tours that covered 4,000 miles of railways journey. The objective of aligning with the AMTRK helped in conducting safe and affordable package tour in the USA.

Great Journey

That trip was practically possible to travel to Egypt via China in 1869 following the opening of the Suez Canal and the completion of a rail network linking the East and West coasts of America. Finally, Thomas Cook and his small party managed to travel across the Atlantic Ocean by steamship to discover a new route of world. In 1869, he conducted his first party up the river Nile with the help of two steamers. He set out for the Round-the- World-Tour from Leicester in 1872 when he reached at the age of 63. They travelled from New York to San Francisco by rail. They cruised to Japan followed by to China across the Inland Sea. He visited Singapore, Ceylon and India. While leaving Mumbai (then Bombay), they crossed the Indian Ocean and the Red Sea to Cairo. He travelled back to London from Cairo, Egypt. Thomas Cook alone set off on an extended tour of Egypt and Palestine. Finally, he reached back home after traveling through Turkey, Greece, Italy and France. It was a 222 - day World Tour. He was speechless after seeing the Great Wall of China, the Taj Mahal and the Pyramid. The world tour was a great achievement for expansion of business to different parts of the world. He gathered information about the people, culture, political systems, economic systems, facilities, amenities, transport connectivity, etc. Free Independent Travelers (FIT) started buying packages from Thomas Cook. There were more demands of FITs to buy the Round-the-World Package Tour. Independent travelers visited those places explored by Thomas Cook and his party. Some of them traveled to Asia via Australia and New Zealand rather than China and Japan.

Activity 2: Application-Based Mini Task

Task:

Prepare a simple diagram showing the flow of services in the tourism system from tourists to service providers through intermediaries.

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Expected Learning Outcome:

Learners will develop the ability to apply theoretical concepts of the tourism system.

1**Second Generation Thomas Cook Business**

Thomas Cook was very fortunate to have his son John Mason Cook as an able successor to manage promotion, marketing and administration of company affairs. Mr. Cook could manage the Thomas Cook's business empire during the World Tour. His son took the control of Thomas Cook business after the head office got shifted to Ludgate Circus. Mr. Cook went for expansion of business to different countries and he took the decisions at a time when telegraphy was in the beginning and telephone was not invented. Mr. Cook set up overseas editions of "The Excursionist". It was the newspaper launched by Thomas Cook in 1851 to

educate customers about the places interest in France, Germany, India, Australasia, America and the Far East in the package tour. The newspaper was renamed as "The Traveller's Gazette" in May 1902. It continued to be published until 1939.

John Mason Cook's Remarkable contribution

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

Merger and Acquisition

Thomas Cook and John Mason Cook died successively during the 1890s when the company got consolidated its operations worldwide. Mr. Cook's three sons Frank Henry, Ernest Edward and Thomas Albert could manage the operation. They introduced winter sports holidays, tours by motor car and commercial air travel. The company was registered as Thomas Cook & Son Ltd in 1924. The office headquarters was shifted from Ludgate Circus to the aristocratic residential area at Berkeley Street in Mayfair in 1926. Later, the headquarters of Thomas Cook and Son Ltd was used as the Centre of London Society. Thomas Cook & Son Ltd was sold to the Belgian Compagnie Internationale des Wagons-Lits et des Grands Express Européens in 1928. The Wagons Lits was a leading operator of most of Europe's luxury sleeping cars, including the Orient Express. The Wagons-Lits headquarters in Paris was seized by British forces and Mr. Cook's British assets were requisitioned by the British Government immediately after the outbreak of World War II. A deal was struck to sell the company to Britain's Four Mainline Railway Companies. Thomas Cook & Son Ltd struck a deal with Wagons-Lits to hold 25% stake in overseas business. The Nationalized British Railways has taken over the company in 1948. In 1972, Thomas Cook & Son Ltd was taken over by a consortium of Midland Bank, Trust House Forte and the Automobile Association. A new standardized corporate logo was conceived and introduced. Fortunately, Thomas Cook managed to overcome that period and survived the recession in 1970. As a result of which, Thomas Cook enhanced its reputation for providing excellent service by launching a Money Back Guarantee scheme in 1974. Thomas Cook began to concentrate on its long-haul tours program by acquiring Rankin Kuhn Travel in 1982. It closed the operation of short-haul travel

market in 1988. The company made a comeback to the core short hauls package tour market in 1996 after it acquired Sun world. Thomas Cook family members celebrated 150 years of its long journey in 1991. The company was acquired by Westdeutsche Landes bank (West LB). It is the Germany's third largest bank and the LTU Group became the Germany's leading charter airline in 1992. Thomas Cook Ltd. became a wholly-owned subsidiary of West LB in 1995. Thomas Cook & Son Ltd. got benefited from the Post-World War holiday boom, which witnessed one million British nationals travelling abroad by 1950. The Company set up a Business Travel Service (BTA) and renovated the holiday camp at Prestatyn (which had opened shortly before the outbreak of war). Although Cook's remained the largest and most successful company in the industry, but its dominance in the travel market was subsequently being contested by the emergence of new travel firms.

1.6 The First Indian Owned Company



Pallonji Katgara & Jamshedji Dastoor created the Jeena and Company (a shipping and export company) with a seed capital of US\$ 75 in 1900. The Jeena Tours and Travels was established in 1920 with the privilege of being the first Indian - owned travel company. In 1961 the Company was merged into Travel Corporation (India) Pvt Ltd to become India's largest travel company under the leadership of the Katgaras. Later in 1951 Travel Agents Association of India (TAAI) was established to represent the issues of travel agency business to the government and protect the interest of its members.

Activity 3: Analytical Writing Exercise

Task:

Write a short note (200–250 words) on the impact of digital technology on the travel trade.

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Expected Learning Outcome:

Learners will be able to connect tourism concepts with contemporary industry trends.

Improvements in Self-Assessment Questions**1. Short-Answer Questions (with Answers)**

1. Define travel. 43
Answer: Travel refers to the movement of people from one place to another for various purposes such as leisure, business, or personal reasons.
2. Define tourism.
Answer: Tourism is the temporary movement of people to destinations outside their usual place of residence and the activities undertaken during their stay.
3. What is travel trade?
Answer: Travel trade refers to the network of organisations involved in providing travel and tourism services, including travel agencies, tour operators, and intermediaries.
4. Distinguish between travel and tourism.
Answer: Travel refers to movement, while tourism includes travel along with stay, activities, and experiences at the destination.
5. Mention any two components of the tourism industry.
Answer: Transport and accommodation.
6. Who are travel intermediaries?
Answer: Travel intermediaries are organisations such as travel agents and tour operators that connect tourists with service providers.
7. State two economic benefits of tourism.
Answer: Employment generation and foreign exchange earnings.

2. Essay-Type Questions (with Hints)

1. Explain the concept and scope of travel and tourism.
Hints: Meaning, characteristics, scope, global and national context.
2. Discuss the components of the tourism system.
Hints: Tourists, destinations, intermediaries, infrastructure, interactions.
3. Analyse the structure and role of travel trade in tourism development.
Hints: Suppliers, intermediaries, consumers, functions of travel trade.
4. Examine the economic and social significance of tourism.
Hints: Employment, income, cultural exchange, regional development.
5. Evaluate the impact of technological changes on the travel trade.
Hints: Online platforms, digital booking, challenges for traditional agencies.

3. Multiple Choice Questions (Analytical)

1. Tourism differs from travel because tourism involves:
 - A. Only movement of people
 - B. Temporary movement with stay and activities
 - C. Permanent migration
 - D. Only business activities

Correct Answer: B

2. Which of the following is NOT a part of travel trade?
- A. Travel agencies
 - B. Tour operators
 - C. Airlines
 - D. Manufacturing companies

Correct Answer: D

3. Travel intermediaries primarily function to:
- A. Produce goods
 - B. Connect tourists with service providers
 - C. Regulate government policies
 - D. Eliminate tourism demand

Correct Answer: B

4. The tourism industry is often described as a system because:
- A. It involves only one sector
 - B. It integrates multiple interrelated components
 - C. It is controlled by the government
 - D. It operates only at the local level

Correct Answer: B

5. One of the major economic contributions of tourism is:
- A. Reduction of cultural exchange
 - B. Increase in unemployment
 - C. Generation of foreign exchange
 - D. Elimination of service industries

1.7 Key Words

- **Intercontinental Tour:** Traveling or occurring between continents.
- **Travel Trade:** Travel trade includes online travel agents, receptive tour operators, tour operators, wholesalers, and travel agents

1.8 Self-Assessment Questions

1. Explain the brief history of travel agency business?
2. Explain the origin of the travel trade around the world?
3. Thomas Cook is the father of the travel agency business – Discuss

Case Study for Self-Assessment

“Expansion of Thomas Cook India and Strategic Role of Travel Trade”

Background

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Thomas Cook India is one of the oldest and most reputed travel companies in India, providing services such as foreign exchange, travel packages, visa assistance, and corporate travel solutions. Over the years, the company expanded its operations to cater to domestic and international tourists. According to reports from The Hindu and industry publications, Thomas Cook has played a significant role in shaping the organised travel trade in India.

Contextual Problem

With the rapid growth of online travel platforms, Thomas Cook faced intense competition from digital players offering lower prices and instant booking facilities. Customers increasingly preferred online channels, reducing dependence on traditional travel agencies.

The company had to rethink its business model by integrating digital services with traditional travel agency operations while maintaining service quality and customer trust.

Stakeholders

- Thomas Cook India management and employees
- Customers (leisure and corporate travellers)
- Airlines, hotels, and service providers
- Online travel platforms
- Regulatory authorities

Managerial Issues

- How to integrate digital technology into traditional travel agency operations?
- How to differentiate services in a competitive market?
- How to sustain customer loyalty in the digital era?
- How to redesign the role of travel intermediaries in modern tourism?

Relevance to the Lesson

This case illustrates the practical relevance of concepts such as travel, tourism, and travel trade. It demonstrates how theoretical concepts influence real-world strategic decisions in the travel industry.

Analytical Questions

1. Analyse the role of Thomas Cook in the Indian travel trade.
2. Explain how technological changes have affected the company's business model.
3. Apply the concept of tourism system to Thomas Cook's operations.
4. Evaluate the challenges faced by traditional travel agencies in the digital era.
5. Suggest strategies for strengthening the role of travel intermediaries in modern tourism.

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LESSON : 2

TYPES OF TRAVEL AGENCY AND TOUR OPERATIONS BUSINESS**Learning Objectives**

After studying this lesson, the learner will be able to:

- Explain different types of travel agencies
- Distinguish various categories of tour operators
- Analyse the business models of travel agencies and tour operators
- Apply classification concepts to real-world tourism organisations
- Evaluate emerging trends in travel agency and tour operations business

Course Structure**2.1 Introduction****2.2 Travel Agency- A Retailing Point of Tourism Services****2.3 Types of Travel Agencies****2.4 Roles and Services of Travel Agency****2.5 Tour Operator****2.6 Types of Tour Operator****2.7 Roles and Characteristics Tour Operator****2.8 keywords****2.9 Self-Assessment Questions****2.10 Further Readings****2.1 Introduction**

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

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

Activity 1: Comparative Analysis Task

Task: Identify two travel agencies (one general and one specialised) and compare their services and target markets.

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Expected Learning Outcome: Understanding of classification and strategic positioning of travel agencies.

2.2 ¹ Travel Agency- A Retailing Point of Tourism Services



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

A travel agency is a business entity or firm that retails package tours or any other individual travel solutions to customers as a representative of airlines, hotels, tour companies, and cruise lines. In these days, travel agents have created separate department to meet the travel needs of leisure and business tourists. Generally, a travel agent gives advice to tourists about the climate, distance, culture and do's and do not's to follow at the destinations or cities. Presently, most package holidays are sold through travel agents. The modern travel agents

always remember the contribution of the legendary Thomas Cook for many innovative practices and Sir Henry Lunn (Lunn Poly) for inventing skiing as a leisure activity.

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

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

2.3 Types of Travel Agencies

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

Wholesale Travel Agency

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

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

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

It however depends on retailer agencies to promote the products. Wholesaler travel agents may also directly sell to the customers through their own retail divisions. For example, Thomas Cook has its own network of branch offices in big cities to directly sell tour packages to customers. In many cases, Thomas Cook appoints retail travel agents. It generates revenues through volume discounts from principal services providers such as hotels, airlines, railways, car rentals, coach operators, ground handlers etc.

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

Retail Travel Agency

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

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

retail agents or getting the hotel or airline promoted through retailers easy, reasonable and sustainable.

Full-Service Agency

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

Commercial Agency

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

Implant Agency

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

Group / Incentive agency

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

Online Travel Agency

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

2.4 Roles and Services of Travel Agency

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

- ❖ It works as a retailer and sells package tours on behalf of wholesaler. The sale of package tours involves the rate of commission fixed on the agreement.
- ❖ It ensures horizontal integration for the purpose of achieving bumper sale.

- ❖ It is an intermediary between tour operators and tourists in terms of selling package tours in case of outbound tours and conducting sightseeing tours in case of inbound tours.
- ❖ It follows tour itinerary and it does not have anything to do with itinerary.
- ❖ Travel agents also provide destinations transfer services to the clients as per the tour itinerary.
- ❖ It acts as a local agent to confirm and reconfirm the services reserved by the tour wholesalers.
- ❖ It sorts out problems as per the directions of tour wholesalers.
- ❖ It prefers to become the member of national bodies like TAAI and IATO.
- ❖ It collects feedback from suppliers and consumers

Activity 2: Application-Based Task

Task: Design a concept for a specialised travel agency focusing on a niche segment (e.g., adventure tourism, medical tourism, or luxury travel).

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Expected Learning Outcome: Ability to apply theoretical classification to practical business planning.

2.5 Tour Operator

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

It is essential to understand the meaning of tour operator. It is an organization and firm or company with the experience and capacity to buy individual travel components separately from different suppliers and assembles them into attractive packages by adding mark-up. It is

sold in different price tag to customers directly or through the middlemen (Travel Agent). Tour operator is largely responsible for delivery of services as per the contract in tour itinerary. Tour operator is a professionally managed company with expertise and experience in planning and operation of pre-paid and pre-planned packages for vacationers or business travelers.

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

DOMINANT ROLES OF TOUR OPERATORS

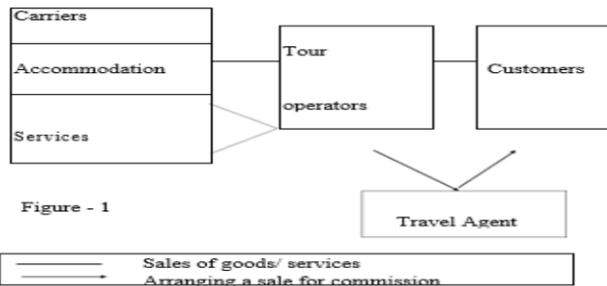


Figure - 1

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

Nature of Primary Activities of Different Tour Operators

Inbound – Describing places of important of the country

Outbound – Highlighting holidays about other countries

Domestic – Specializing on domestic holidays within country

Specialist – Special interest travel to destinations

Independent- Specialized in specific holiday

Integrated – Business Conglomerate

Mass-market- Targeting more sale

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

Airport and hotel transfer

Arrangements for traditional reception at the arrival points

Arrangements of luggage transfer in the airport and railway stations

Arrangements of guided sightseeing tours

Options and selection for worldwide destination

Comprehensive itinerary planning

Appropriate hotel selection & reservation

Meeting, conference and meeting arrangements

Exhibition and factory visits

Theme parties, events & sightseeing

Air tickets & travel documents like passport, VISA, health certificate and currency, insurance and permits for entry into the restricted areas

Foreign Exchange & Travel Insurance

Case Study

Introductory Case Study: The Evolution of Specialised Travel Agencies in India

Background of the Sector

The Indian travel and tourism industry has evolved from general-purpose travel agencies to highly specialised service providers. Earlier, most travel agencies offered uniform services such as ticket booking and hotel reservations. However, increasing diversity in tourist preferences, globalisation, and technological advancement have led to the emergence of niche travel agencies and specialised tour operators.

Cox & Kings, one of India's oldest travel companies, began as a general travel agency but gradually diversified into specialised segments such as luxury tours, corporate travel, educational tours, adventure tourism, and destination management services. Similarly, companies like SOTC, Thomas Cook India, and boutique agencies have developed tailored products for specific customer segments.

Contextual Trigger

By the early 2000s, Indian tourists began demanding customised travel experiences rather than standard tour packages. Corporate organisations required professional travel management companies (TMCs), while affluent travellers sought luxury and experiential tourism. At the same time, adventure tourism, medical tourism, and religious tourism gained prominence.

Traditional general-purpose travel agencies struggled to cater to diverse customer expectations. Many agencies either specialised in particular segments or collaborated with tour operators to remain competitive.

Stakeholders Involved

1. General travel agencies
2. Specialised travel agencies and niche tour operators
3. Corporate clients and individual tourists
4. Airlines, hotels, and destination service providers
5. Government tourism bodies and regulators

Managerial and Behavioural Issues

- Need for market segmentation and specialisation
- Skill development in niche tourism segments
- Strategic positioning and branding
- Balancing standardisation and customisation of services
- Competition among specialised agencies

Importance of the Case for the Lesson

This case highlights how different types of travel agencies and tour operators emerge in response to changing market demands. It demonstrates the relevance of classification

¹⁴ 2.6 Types of Tour Operator

Tour operators are classified as they do tour business and area of operation of package tours. Each category of tour operator is unique in their own ways of providing services. This classification is suggested to distinguish difference of meanings and functions. They are called as inbound tour operators, outbound tour operators, domestic tour operators, specialist tour operators and ground tour operators. Figure presents travel trade intermediaries that include types of travel agency and ⁵ tour operators.

Inbound Tour Operator

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

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

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

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

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

Outbound Tour Operators

They sell package tours highlighting the destinations in foreign countries. These operators are specialized in designing and promoting multi-national tours. Like inbound tour operator, outbound tour operator sells a package tour to an individual or a group of people of a country to another country or a number of countries for a temporary period. They arrange travel documents, transportation and hotels and sightseeing, inbound tour operators/ground operators provide accommodation, transportation, local sightseeing and other services. For example, a group of Indian visitors have bought packages to visit Singapore, Thailand and Bangkok from Cox and Kings Office in Chennai. The Cox and Kings Chennai office takes care of the ground arrangements at these countries through an inbound tour operator.

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

Domestic Tour Operator

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

Ground Handlers/Operators

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

The operator coordinates, supervises and handles accounts/payments of all services related to tour. For example, Swosti is a ground operator for tribal tour in Odisha. Thus, inbound as well

as outbound operators must look into the following aspects before the selection of a ground handling operators.

1

Special Interest Tour Operator

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

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

- ❖ Ayurveda and Health
- ❖ Archaeology and historical sites
- ❖ Adventure and ecotourism sites
- ❖ Buddhism and Jainism ancient religious sites.
- ❖ Special cuisines at each place.
- ❖ Desert and jungle safari tour

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

Arrangement of visit of fairs and festivals venues

Arrangement for shopping and exhibitions grounds.

Provision of hiring Equipments for sports and games (Golf, winter sports and water sports.)

Provision for scholarly interpretation of objects with the help of experts at the museums

Arrangements for host community interaction

Organizing special cultural programmes in the palaces

Special amenities for the tourists in the train or bus journey

2.7 Roles and Characteristics Tour Operator

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

It is a wholesaler as it assembles packages as per the trend of market and capacity of distribution channel.

It deals with customers directly as a principal agent or foreign travel agent without off-loading tours to ground handling agents.

Tour operator has liberty to amend the tour itinerary and program if it warrants.

It invests much of time and resources to chart out delightful and value added tour itinerary for meeting the demand and expectation of tourists.

It gives much stress on selling the tour than the conducting the tour.

Tour operators are mostly located in the mega cities or in the cities with the international airlines services for the strategic advantage of controlling the package tours.

It mostly provides international transfer from hotel to airport and vice-versa, if offices of tour operators are located.

Activity 3: Critical Reflection Task

Task: Write a short note on why specialisation is becoming essential in the travel agency business.

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Expected Learning Outcome: Development of analytical thinking about tourism business trends.

2.8 keywords

1 Commercial Agency

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

1 Implant Agency

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

1 Special Interest Tour Operator

This type of tour operator offers and promotes the special interest package tours. They mostly do direct marketing for the packages or through the retail agents.

2.9 Self-Assessment Questions

- List the functions of modern Travel Agency and Tour Operator.
- Explain the important function of travel agency as an important retailer or wholesaler of various travel services.
- Explain various functions of tour operators for running tour operation business.

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. What is meant by classification of travel agencies?
Answer: Classification refers to grouping travel agencies based on their functions, services, and target markets.
2. Define a retail travel agency.
Answer: A retail travel agency directly sells travel services to individual customers.
3. What is a wholesale travel agency?
Answer: A wholesale travel agency designs tour packages and sells them to retail agencies.
4. Define an online travel agency (OTA).
Answer: An OTA provides travel services through digital platforms and online interfaces.
5. What is an inbound tour operator?
Answer: An inbound tour operator organises tours for foreign tourists visiting a country.
6. What is an outbound tour operator?
Answer: An outbound tour operator organises tours for residents travelling abroad.
7. Mention two types of specialised travel agencies.
Answer: Corporate travel agencies and adventure travel agencies.

8. State two advantages of specialised tour operators.

Answer: Better customer satisfaction and competitive differentiation.

2. Essay-Type Questions (with Hints)

1. Explain the different types of travel agencies.
Hints: Retail, wholesale, corporate, online, globalizati agencies; functions and examples.
2. Discuss the classification of tour operators with suitable illustrations.
Hints: In⁷²und, outbound, domestic, niche operators; roles and functions.
3. Analyse the business models of travel agencies and tour operators.
Hints: Revenue sources, partnerships, customer segments, operational strategies.
4. Examine the significance of globalization³⁰ in travel agency business.
Hints: Market segmentation, customer expectations, competitive advantage.
5. Evaluate emerging trends in travel agency and tour operations business.
Hints: Digitalisation, niche tourism, globalization, globalization.

3. Analytical MCQs

1. Which of the following best describes a wholesale travel agency?
A. It directly sells services to tourists
B. It designs packages and sells them to retail agencies
C. It manages hotels
D. It regulates tourism policies
Correct Answer: B
2. A corporate travel agency primarily serves:
A. Leisure tourists
B. Corporate organisations and business travellers
C. Rural tourists
D. Government departments only
Correct Answer: B
3. An inbound tour operator mainly focuses on:
A. Sending tourists abroad
B. Handling foreign tourists visiting a destination
C. Selling airline tickets only
D. Managing tourism policies
Correct Answer: B
4. Online travel agencies differ from traditional agencies mainly due to:
A. Government control
B. Digital platforms and automation
C. Lack of customer interaction
D. Absence of service providers
Correct Answer: B
5. Specialised travel agencies gain competitive advantage through:
A. Uniform services
B. Customised and niche-focused offerings
C. Government subsidies
D. Monopoly power
Correct Answer: B

Case Study for Self-Assessment

Case Study: Growth of Niche Tour Operators in the Indian Tourism Market

Background

⁵⁵ In recent years, the Indian tourism market has witnessed the rapid growth of niche tour operators focusing on specific segments such as adventure tourism, medical tourism, spiritual tourism, luxury travel, and eco-tourism. Companies like Thrillophilia, Kesari Tours, and boutique travel firms have successfully positioned themselves as specialised service providers.

Thrillophilia, founded in Bengaluru, initially operated as a digital platform offering adventure travel experiences such as trekking, rafting, and wildlife tours. Over time, it expanded its operations to domestic and international destinations, collaborating with local operators and service providers.

Problem Situation

As the niche tourism market expanded, competition among specialised tour operators intensified. Customers demanded higher safety standards, personalised experiences, and transparent pricing. Thrillophilia faced challenges in maintaining service quality while scaling its operations.

Stakeholders Involved

1. Specialised tour operators and travel agencies
2. Adventure tourists and niche travellers
3. Local service providers and destination communities
4. Government tourism authorities
5. Digital platforms and technology partners

Managerial Issues

- Ensuring quality and safety standards
- Managing partnerships with local operators
- Balancing growth with service excellence
- Brand positioning in a competitive niche market
- Customer trust and satisfaction

Relevance to Lesson Concepts

This case illustrates:

- Types of tour operators and specialised agencies
- Business models in niche tourism
- Strategic challenges in tour operations
- Importance of classification and specialisation

Analytical Questions

1. Identify the type of tour operator represented by Thrillophilia.
2. Analyse the advantages and challenges of niche tour operations.
3. Compare specialised tour operators with general tour operators.
4. Suggest strategies for sustaining competitive advantage in niche tourism.
5. Evaluate the role of specialisation in the future of tour operations business.

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- World Bank tourism sector studies
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LESSON 3

1
LINKAGES AND INTEGRATION IN TRAVEL TRADE**Learning Objectives**

Having gone through this lesson, you may be able to:

- Explain the concept of linkages in travel trade
- Distinguish horizontal and vertical integration in tourism
- Analyse interrelationships among travel trade stakeholders
- Apply integration concepts to travel trade operations
- Evaluate the impact of integration on tourism business efficiency

Course structure**14**
3.1 Introduction

3.2 Meaning of Linkages and Integration

3.3 Linkages of Tourism Services

3.4 National and International Travel Organizations

63
3.5 Keywords

3.6 Self-Assessment Questions

3.7 Further Readings

1
3.1 Introduction

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

Activity 1: Mapping Linkages Task

Task: Draw a diagram showing linkages among travel trade organisations for a typical international tour.

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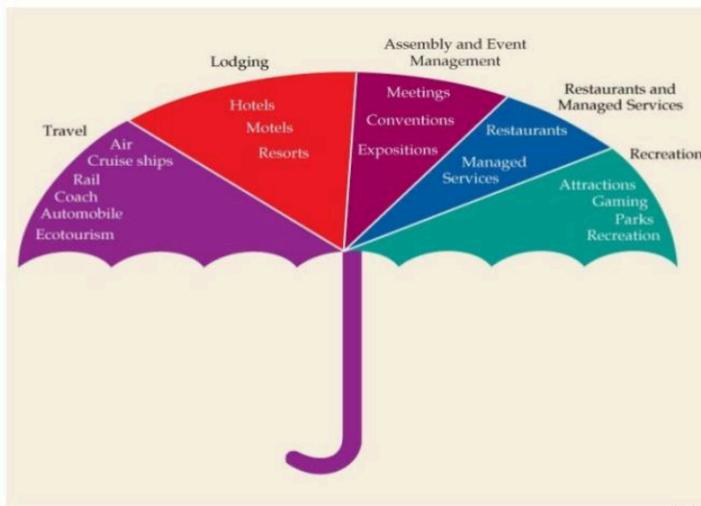
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Expected Learning Outcome: Understanding of interdependencies in travel trade.

3.2 Meaning of Linkages and Integration

Hospitality/Tourism Industry



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

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

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

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

Economics of Scales

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

Avoidance of Middlemen

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

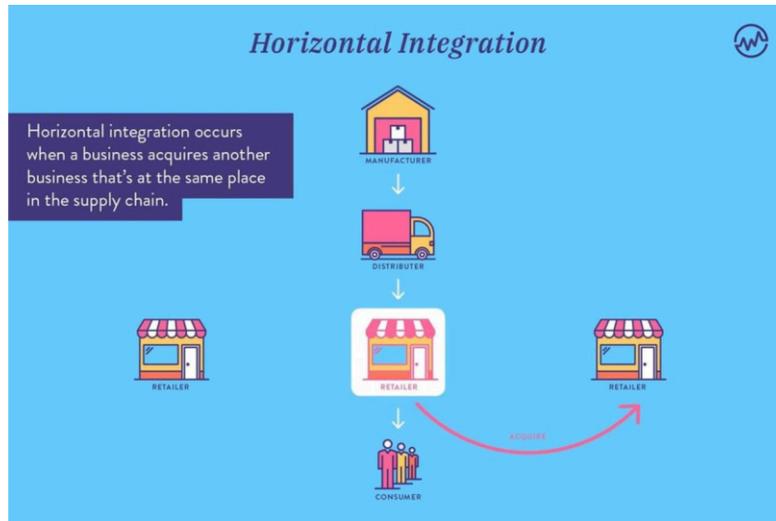
Consolidation of Market

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

Control over Supply for More Bargaining Power

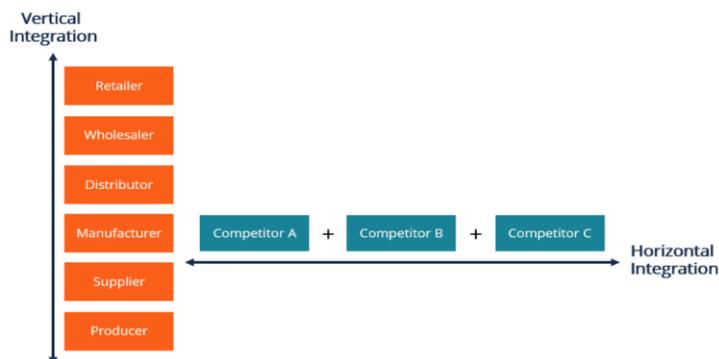
Merger and acquisitions can help travel agency and tour operator to have more control over supply of package tours in market. The acquisition of SITA World Travel India Ltd by Kuoni has increased the market share of outbound business of Kuoni. At the sametime, tour operator can secure some bargaining power for booking hotel rooms and airline seats.

Horizontal Integration



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

Vertical Integration



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

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

Case Study

Introductory Case Study: Integration of Airlines, Hotels, and Online Platforms in Global Travel Trade

Background of the Sector

The travel trade operates as a complex network of interconnected organisations, including airlines, hotels, travel agencies, tour operators, transport providers, and digital platforms. Historically, these entities functioned independently, relying on intermediaries to coordinate services for travellers. However, globalisation and digital transformation have significantly increased the need for integration among travel trade stakeholders.

Expedia Group, ¹ one of the world's largest online travel companies, integrates airline bookings, hotel reservations, car rentals, holiday packages, and travel insurance through a single digital platform. Similarly, airline companies such as IndiGo and Emirates collaborate with global distribution systems (GDS) like Amadeus and Sabre to connect with travel agencies worldwide.

Contextual Trigger

As customer expectations evolved, travellers began demanding seamless travel experiences, competitive pricing, and real-time information. Fragmented service delivery

often resulted in delays, higher costs, and customer dissatisfaction. To address these challenges, travel trade organisations increasingly adopted integrated operational models and strategic alliances.

In India, the partnership between airlines, hotel chains, and online travel agencies has reshaped the travel ecosystem. For instance, MakeMyTrip integrates multiple service providers, enabling customers to book flights, hotels, and holiday packages in a single transaction.

Stakeholders Involved

1. Airlines and transport companies
2. Hotels and accommodation providers
3. Travel agencies and tour operators
4. Online travel platforms and GDS providers
5. Customers and regulatory bodies

Managerial and Behavioural Issues

- Coordination among multiple service providers
- Data sharing and technological compatibility
- Trust and collaboration among partners
- Balancing competition and cooperation
- Managing customer expectations in integrated systems

Importance of the Case for the Lesson

This case demonstrates how linkages and integration are essential for efficient functioning of the travel trade. It highlights the strategic and operational significance of interconnected business relationships in tourism.

Linkage to Lesson Concepts

The case relates to:

- Concept of linkages in travel trade
- Vertical and horizontal integration
- Role of technology in integration
- Strategic alliances in tourism

Activity 2: Case Analysis Task

Task: Analyse how an online travel platform integrates multiple service providers.

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Expected Learning Outcome: Ability to apply integration concepts to real-world business models.

3.3 Linkages of tourism Services

Tour operator is a partner of a dynamic travel distribution channel through which buying and selling of package tours is possible in a long-term basis. The vertical integration establishes continuous relationship with many direct and indirect providers of services to tourists. Tour operators bring the principal suppliers to a common network. These principalsuppliers are transport operators, airlines and charter flights, cruise line companies, railways and car rental companies, hotels and event mangers. They are selected on the basis of location, existence, service quality, physical facility, credit facility, etc. Tour operators make the final contacts with these service providers on the conditions that tourists are served at the destinations. It is essential to have up-linking networks for arranging services and get the services delivered directly through the primary service providers.

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

In the manufacturing sector, supply chain management is a significant area in the distribution of finished products in the market. Tour operators are the travel intermediaries who negotiate and sell the services of primary producers to tourists. It is almost difficultboth in case of tourists and principal service providers to contact separately on selling the products. This is a dynamic mechanism to make the products reachable at the consumer doors from the place of production. Neither the producers nor the consumers confront in the final stage of sales because there is a very active linkage system to deliver the product in the market area. Both the producers and consumers are controlled by the distributing agencies. In similar case, you may compare the relationship of tour operators with the producers of tourism products and

services like transport companies, accommodation providers and destinations agencies. These are the following services that tour operators seek to strike integration with the principal service providers for designing the conventional package tours.

Airlines

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

Car Rental Companies

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

Railways

Tour operators take the help of railway companies for booking seats and other amenities at the railway stations. Journey in train gives different pleasure and experience than other modes of communication. Thus, tour operators sign contract with railway companies for the reservation of special coach or issue of special tourist pass. For example, Indrail, Eurail and Brital Pass are issued by respective railway operators for tourists. Railway companies give discount to tour operators for booking these passes in advance. In the travel trade distribution network, railway companies contribute much for the growth of tour operation business. Many tourist destinations not connected by air are highly preferred for train travel. For example, palace-on-wheels and Royal Orient are uniquely designed trains for high-end tourists wishing to enjoy the holiday in train. Tour operators promote the palace-on-wheels for which commission is obtained from Rajasthan Tourism.

Cruise Companies

The size of market of cruise travel is growing due to the preference of new-age tourists for experience. Cruise package is now very affordable. Cruise companies have designed packages suiting the needs of lower, middle and upper segment of customers. For example, India is a target market for cruise travel. Leading Cruise Company like Star Cruise has authorized tour

operators to sell cruise packages. Tour operators block and book the seats in large numbers. They work on the commission and sometime special discount also along with complementary cruise travel. In the travel trade distribution network, cruise operators take direct help of tour operators and travel agents for bulk sales of cruise packages. Cruise companies appoint tour wholesalers for the sale of cruise packages and provide commissions and other incentives. The General Sales Agent (GSA) appoints retail travel agents to sell cruise packages in small cities.

Car Rental Companies

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

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

Luxury Coach Operators

A coach operator is a primary service provider in tour operation business distribution network. Tour wholesalers appoint coach operators on the basis of competitive rates and quality of transport and services. Coach operators send quotations for transfer, sightseeing, and excursion trips to tour operators or wholesalers during May and June every year. The luxury coaches are customized for sightseeing and excursion tour for GIT. Each coach is equipped with gadgets for comfort and safety of visitors. Each tourist coach must have elevated bucket seats, white window glass, micro phone, air condition system and refrigerator. The service quality is measured in terms of punctuality, safety, flexibility, and adaptability. For example, KPN coach service owns luxury coaches for foreign as well as

domestic tourists plying across southern states of India. In this context, coach is an important alliance of the distribution network of tour operation business.

Accommodation Operators

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

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

Event Management Companies

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

Authorized Foreign Exchange Dealer

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

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

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

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

Insurance Company

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

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

Destination Management Operators or Ground Handling Operators

Ground handling operators work for tour operators to provide ground logistics services. It includes the luxury car or bus services, guide and language interpreter services, entrance fees, reception upon arrivals, etc. Ground operators are located at the major tourist destinations and they work as per the directions of tour wholesalers or tourvouchers. However, adventure tour operators or special interest tour operators arrange most of the ground services. Tour operators collect transport tariff and information about the destinations from the ground operators during the off season.

Government Agencies

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

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

3.4 National and International Travel Organizations

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

Local Representative Bodies

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

Strategic Alliances

Tour operators maintain regular contacts with the principal suppliers for procuring various services through its strategic alliances. Alliance is struck between the companies producing homogenous products. For example, domestic airlines are making all possible efforts to increase the sale of tickets by offering attractive incentives with additional discounts. Tour operators negotiate with the airlines to get cheapest fare for their customers. They collect information about promotional fares and schemes of the airlines. At the same time, airlines

organize promotional tours to familiarize tour operators. Hotels, resorts companies and transport operators participate in tourism exhibitions.

Alliance enhances efficiency and penetrates professionalism in tourism operation business.

These are the following benefits of strategic alliance in travel agency and tour operation business.

- Better image building of tour companies Improvement of quality of services
- Enhancement of efficient of services
- Easy confirmation of sale and identification of potential buyers Reduction in costs of production and distribution
- Change in perceptions buyers

Activity 3: Critical Thinking Task

- **Task:** Write a short note on the advantages and risks of integration in travel trade.

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Expected Learning Outcome: Development of analytical and evaluative skills.

3.5 Keywords

Economics of Scale: The volume of productions and sales would be more that leads to providing more profits. The cost of production can be drastically minimized with the help of integration.

Horizontal Integration: It involves two tour operators or two travel agencies or two hotels and two airlines for amalgamation of competitive product through merger or acquisitions.

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

3.6 Self Assessment Questions

1. What is the meaning of linkages and integration? Explain different types of integration in the travel agency business.
2. Which are the service providers to the tour operators? How the integration with the principal service providers is made for designing the package tours.
3. Discuss the contemporary factors influencing the travel trade business.

1. Short-Answer Questions (with Answers)

1. Define linkages in travel trade.
Answer: Linkages refer to the interconnections and relationships among organisations involved in the travel and tourism industry.
2. What is integration in tourism?
Answer: Integration is the process of combining activities, services, or organisations to improve efficiency and coordination in travel trade.
3. Define horizontal integration.
Answer: Horizontal integration refers to the merger or collaboration among firms operating at the same level of the travel trade.
4. Define vertical integration.
Answer: Vertical integration involves integration across different levels of the travel trade value chain.
5. Mention two examples of vertical integration.
Answer: Airlines owning tour operators or hotels.
6. What is the role of GDS in integration?
Answer: GDS connects airlines, hotels, and travel agencies through a common technological platform.
7. State two benefits of integration in travel trade.
Answer: Improved efficiency and enhanced customer experience.
8. Mention one risk of integration.
Answer: Reduced competition or operational complexity.

2. Essay-Type Questions (with Hints)

1. Explain the concept of linkages in travel trade.
Hints: Stakeholders, interdependence, value chain, coordination.
2. Discuss different types of integration in tourism.
Hints: Horizontal, vertical, diagonal integration; examples.
3. Analyse the role of technology in facilitating integration in travel trade.
Hints: GDS, OTAs, digital platforms, data sharing.
4. Examine the advantages and challenges of integration in tourism business.
Hints: Efficiency, economies of scale, risks, managerial issues.
5. Evaluate the impact of integration on competitiveness in the travel industry.
Hints: Strategic alliances, market power, customer satisfaction.

3. Analytical MCQs

1. Horizontal integration in travel trade refers to:
A. Collaboration among firms at different levels

- B. Integration among firms at the same level of operation
 - C. Government regulation of tourism
 - D. Digitalisation of tourism services
- Correct Answer: B**
2. Vertical integration occurs when a travel company:
- A. Expands into unrelated industries
 - B. Integrates suppliers and distributors
 - C. Reduces service quality
 - D. Focuses only on marketing
- Correct Answer: B**
3. GDS primarily facilitates:
- A. Government policy formulation
 - B. Integration among travel service providers
 - C. Tourist destination development
 - D. Cultural exchange
- Correct Answer: B**
4. Strategic alliances in tourism are formed mainly to:
- A. Eliminate customers
 - B. Enhance operational efficiency and market reach
 - C. Increase government control
 - D. Reduce technological innovation
- Correct Answer: B**
5. Integration in travel trade mainly aims to:
- A. Increase fragmentation
 - B. Provide seamless travel experiences
 - C. Restrict tourism growth
 - D. Replace service providers
- Correct Answer: B**

Case Study for Self-Assessment

Case Study: Strategic Integration of MakeMyTrip and Service Providers in India

Background

MakeMyTrip, India's leading online travel company, operates as a digital platform integrating airlines, hotels, bus operators, and tour service providers. By collaborating with multiple stakeholders, the company offers comprehensive travel solutions to customers. Its integration with global distribution systems and local service providers has enabled it to expand its market presence.

Problem Situation

As competition intensified among online travel platforms, MakeMyTrip faced challenges in maintaining service quality across multiple partners. Issues such as inconsistent service standards, technological incompatibility, and data security concerns emerged. The company needed to strengthen its integration framework while preserving flexibility and competitiveness.

Stakeholders Involved

1. MakeMyTrip management and technology teams
2. Airlines, hotels, and transport providers
3. Travel agencies and tour operators
4. Customers using the platform
5. Regulatory authorities and technology partners

Managerial Issues

- Coordinating multiple partners with varying standards
- Ensuring real-time data integration
- Managing strategic partnerships
- Balancing competition and collaboration
- Maintaining customer trust and service quality

Relevance to Lesson Concepts

This case illustrates:

- Linkages among travel trade stakeholders
- Types of integration in tourism
- Role of technology in integration
- Strategic management of partnerships

Analytical Questions

1. Analyse the nature of linkages in MakeMyTrip's business model.
2. Identify the types of integration present in the case.
3. Discuss the advantages of integration for customers and service providers.
4. Evaluate the challenges of managing integrated travel trade systems.
5. Suggest strategies to improve integration effectiveness in online travel platforms.

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LESSON 4**1**
CHANGING SCENARIO OF TRAVEL TRADE**Lesson Objectives**

After reading this lesson, you should be able to

- Explain emerging trends in the travel trade
- Analyse technological and market-driven changes in tourism
- Distinguish traditional and modern travel trade models
- Apply change dynamics to travel trade strategies
- Evaluate the impact of global and digital forces on travel trade

Course Structure

4.1 Introduction

4.2 Factors Influencing Travel Business

4.3 keywords

4.4 Self-Assessment Questions

4.5 further readings

1
4.1 Introduction

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

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

Activity 1: Trend Identification Task

Task: Identify three recent changes in the travel trade and explain their implications for travel agencies.

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Expected Learning Outcome: Understanding of emerging trends in tourism business.

4.2 Factors Influencing Travel Business

Travel started from the search for food, shelter and clothing. In the later stage, development of transport communication provided better roadways and waterways for the merchants to travel distance places for trade and commerce. In earlier period, people were not travelling for pleasure, recreation and relaxation. For example, Merchants in India sailed to countries located in Southeast Asia, West Asia, Middle East and Africa continents for spice and handicraft trade.

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

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

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

Demand for Air Travel

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

Loyalty Programmes of Airlines

American Airlines first introduced Frequent Flier Programmes (FFPs) in the name 'Advantage' in 1981. At present, almost all international and domestic air carriers have started the loyalty programmes. More than 100 million passengers have become the members of FFPs. For example, Holiday Inn became the first partners with the loyalty programme in 1983 in association with many international hotels to attract more passengers.

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

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

problems of long waiting at airports. This has become possible due to the strategic alliance between the airlines.

Technology

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

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

IATA accredited travel agents have made the mandatory for issuing e-ticketing to provide additional convenience to passengers thereby reducing airline distribution and operation costs.

Duty free shops in airports have helped passengers to buy souvenirs and other gifts through their attractive discounts and offers.

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

Passenger Amenities

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

Visa Upon Arrival

Many tourist-centric countries have introduced visa-upon-arrival system for inbound visitors. For example, Thailand, Malaysia and Singapore have made the provisions for inbound

visitors to get the Visa endorsed upon arrival. At the same time, online issues of Visa and Passport have simplified the travel procedures.

Travel Insurance

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

Scenic Highways

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

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

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

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

Marriott Nile Cruise and Amazon River Society Expeditions are some of the known cruise operators in the world.

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

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

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Regional Economic Growth

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

Political Situations

The global trade and commerce is being affected due to the political unrest in some part of the world. More importantly, political instability in Far East and Middle East has partly made impact on the growth of tourism in that region in particular and in other parts of world in

general. For example, Nepal is yet to come to get a stable political system. Pakistan and Afghanistan have been facing several internal insurgent activities that affect the regional tourism. Therefore, intra-regional tourism is a toll of the political turmoil in some of regions in the world. Bilateral and multilateral trade relationship can only resolve the issues and help tourism grow in those regions. Regional bodies like SARRC, SAFTA, ASEAN and European Union promote regional cooperation through bilateral dialogue.

Rising Middle Class

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

Rising Double-Income Family

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

Increasing Senior Citizen Population

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

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

Activity 2: Application-Based Task

Task: Analyse how a traditional travel agency can transform into a digital travel service provider.

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Expected Learning Outcome: Ability to apply change management concepts to travel trade.

1 Changing Pattern of Employment

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

Changing Lifestyle



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

Case Study

Introductory Case Study: Digital Disruption of the Travel Trade Ecosystem

Background of the Sector

The travel trade has historically been characterised by physical travel agencies, manual booking systems, and personal interaction between service providers and customers. For decades, airlines, hotels, and tour operators depended heavily on intermediaries to reach customers. However, rapid technological innovation, global connectivity, and changing consumer behaviour have fundamentally transformed the travel trade landscape.

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The emergence of online travel agencies (OTAs) such as Booking.com, Expedia, MakeMyTrip, and Airbnb has reshaped how travel services are marketed, distributed, and consumed. These platforms integrate multiple service providers and offer real-time information, price comparisons, and personalised travel solutions.

Contextual Trigger

During the last decade, travellers increasingly adopted digital platforms due to convenience, transparency, and cost-effectiveness. At the same time, traditional travel agencies faced declining customer footfall and reduced commission margins. The COVID-19 pandemic further accelerated digital adoption, forcing travel businesses to innovate and adapt rapidly.

In India, the rise of smartphone usage, digital payments, and data-driven marketing has transformed the travel trade. Companies that failed to adapt to technological changes lost competitiveness, while digitally agile firms expanded their market share.

Stakeholders Involved

1. Traditional travel agencies and tour operators
2. Online travel platforms and technology companies
3. Airlines, hotels, and service providers
4. Customers and digital consumers
5. Government and regulatory bodies

Managerial and Behavioural Issues

- Resistance to technological change

- Need for digital skills and organisational transformation
- Price competition and margin pressures
- Managing customer expectations in a digital environment
- Strategic adaptation to global disruptions

Importance of the Case for the Lesson

This case highlights the dynamic nature of the travel trade and the need for continuous adaptation. It demonstrates how technological, economic, and social factors reshape travel trade structures and business models.

Linkage to Lesson Concepts

The case relates to:

- Changing scenario of travel trade
- Digital transformation in tourism
- Evolution of travel agency and tour operator models
- Impact of global events on travel trade

1**New Travel Trends**

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

Branding Tourism Destinations

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

Availability of Trained Human Resources

The shortage of trained guides and waiters used affect the experience of visitors. There is a big change due to the initiations of government to train people to work in travel sector. The

availability of trained manpower has changed the service quality and professional institutions have customized the curriculum to impact quality teaching and training to students to work for travel sector more efficiently and effectively.

Exemption Sales Tax

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

Proactive Role of Travel Trade Association

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

Travel as Bargain

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

Accommodation Sector

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

Toll Free Numbers

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

Travel Loans

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

Activity 3: Critical Reflection Task

Task: Write a short note on the long-term impact of digitalisation on travel intermediaries.

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Expected Learning Outcome: Development of evaluative and strategic thinking.

4.3 keywords

Travel Insurance

Travel Medical Insurance is one of the functions of tour operator that reimburses the claim for emergency medical expenses incurred by passengers and unexpected crises (death, sickness, airline strike and travel company bankruptcy) while traveling in a foreign country.

Rising Double-Income Family

Working together and spending lavishly has become a new trend in India. It has certainly become possible due to the upsurge in trade and commerce in India for the last two decades.

Branding Tourism Destinations

Brands create product differentiation and represent a promise of value. Brands incite beliefs, evoke emotions and prompt behavior. It gives a clear personality to a product or destination.

4.4 Self-Assessment Questions:

1. Explain the volume of travel trade business India and world?
2. Briefly describe the rapid changes and developments of travel business
3. Elucidate the business opportunities of travel agents and tour operators?

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. What is meant by the changing scenario of travel trade?
Answer: It refers to the transformation of travel trade due to technological, economic, social, and global factors.
2. Mention two technological factors influencing travel trade.
Answer: Online booking platforms and mobile applications.
3. Define digital disruption in tourism.
Answer: Digital disruption is the transformation of traditional tourism business models through digital technologies.
4. What is the impact of COVID-19 on travel trade?
Answer: Accelerated digital adoption and restructuring of travel business models.
5. State two differences between traditional and online travel agencies.
Answer: Mode of service delivery and level of automation.
6. Mention two challenges faced by traditional travel agencies.
Answer: Declining commissions and digital competition.
7. State two opportunities created by digitalisation in travel trade.
Answer: Market expansion and personalised services.
8. What is meant by customer-centric travel services?
Answer: Travel services designed according to individual customer preferences.

2. Essay-Type Questions (with Hints)

1. Discuss the major forces driving change in the travel trade.
Hints: Technology, globalisation, consumer behaviour, economic and social factors.
2. Analyse the impact of digital transformation on travel agencies and tour operators.
Hints: Business models, service delivery, competition, revenue patterns.
3. Distinguish between traditional and modern travel trade systems.
Hints: Structure, technology, customer interaction, efficiency.
4. Examine the role of global crises in reshaping travel trade.
Hints: COVID-19, economic recessions, geopolitical factors.
5. Evaluate future trends in the travel trade industry.
Hints: AI, data analytics, sustainable tourism, personalised travel.

3. Analytical MCQs

1. Which factor has most significantly transformed the travel trade in recent years?
A. Agricultural growth

- B. Digital technology
 - C. Rural migration
 - D. Industrial decline
- Correct Answer: B**
2. Online travel agencies differ from traditional agencies mainly because they:
- A. Operate without customers
 - B. Use digital platforms for service delivery
 - C. Are controlled by governments
 - D. Offer only domestic tours
- Correct Answer: B**
3. The COVID-19 pandemic influenced travel trade primarily by:
- A. Eliminating tourism permanently
 - B. Accelerating digital adoption and restructuring business models
 - C. Reducing technological innovation
 - D. Increasing physical travel agencies
- Correct Answer: B**
4. Customer-centric travel services emphasise:
- A. Uniform packages
 - B. Personalised and customised travel experiences
 - C. Government regulations
 - D. Fixed pricing
- Correct Answer: B**
5. Future travel trade models are likely to be dominated by:
- A. Manual booking systems
 - B. Integrated digital ecosystems
 - C. Isolated service providers
 - D. Traditional intermediaries only
- Correct Answer: B**

Case Study for Self-Assessment

Case Study: Transformation of Traditional Travel Agencies in the Post-Digital Era

Background

Many traditional travel agencies in India operated for decades through physical offices, personal networks, and manual booking systems. These agencies relied heavily on commissions from airlines and hotels. However, the rapid growth of online travel platforms and changing customer expectations significantly reduced their market share.

A mid-sized travel agency in Hyderabad, operating since the 1990s, specialised in ticketing and group tours. By 2015, its revenues declined due to competition from online platforms offering cheaper prices and instant bookings.

Problem Situation

The agency faced a strategic dilemma: continue traditional operations or adopt digital transformation. Limited technological expertise, financial constraints, and resistance from staff hindered its transformation efforts.

Stakeholders Involved

1. Agency owners and employees
2. Customers shifting to online platforms
3. Airlines and hotels
4. Technology service providers
5. Competitors and regulators

Managerial Issues

- Change management and organisational restructuring
- Investment in digital infrastructure
- Skill development of employees
- Redesign of service delivery systems
- Strategic repositioning in the market

Relevance to Lesson Concepts

This case illustrates:

- Changing scenario of travel trade
- Impact of digital disruption
- Strategic adaptation in travel agencies
- Role of innovation in tourism business

Analytical Questions

1. Analyse the factors responsible for the changing scenario of travel trade in the case.
2. Identify the challenges faced by the traditional travel agency.
3. Compare traditional and digital travel business models.
4. Suggest strategies for transforming traditional travel agencies.
5. Evaluate the long-term implications of digitalisation for travel intermediaries.

4.5 Further Readings

- Chand, M. Travel Agency Management: An Introductory Text, Anmol Publications Pvt. Ltd., New Delhi.
- Bhatia, A.K. Travel Agency and Tour Operations, Sterling Publications, New Delhi.
- Negi, J. Travel Agency Operations: Concepts and Principles, Kaniska, New Delhi.
- Dr. Sampad Kumar Swain, Travel Agency and Tour Operations Management, Directorate of Distance Education, Pondicherry University, Pondicherry.
- Website : The World Travel and Tourism Council
- Website ; Ministry of Tourism Government of India

A. Text Books

1. Bhatia, A.K., Tourism Development: Principles and Practices, Sterling Publishers, New Delhi, 2006.
2. Holloway, J.C. and Taylor, N., The Business of Tourism, Pearson Education, Harlow, 2006.
3. Goeldner, C.R. and Ritchie, J.R.B., Tourism: Principles, Practices, Philosophies, Wiley, New York, 2012.
4. Gee, C.Y., Makens, J.C. and Choy, D.J.L., The Travel Industry, Van Nostrand Reinhold, New York, 1997.
5. Weaver, D. and Lawton, L., Tourism Management, Wiley, Sydney, 2014.
6. Foster, D., Travel and Tourism Management, Macmillan, London, 1999.

B. Other References

- UNWTO tourism trend reports
- Ministry of Tourism, Government of India publications
- World Bank tourism sector studies
- Industry analyses from Economic Times and The Hindu

LESSON 5

FUNCTIONS OF TRAVEL AGENCY AND TOUR OPERATION**Learning Objectives**

After studying this lesson, the learner will be able to:

- Explain the core functions of travel agencies
- Distinguish operational functions of tour operators
- Analyse managerial and service functions in travel trade
- Apply functional concepts to real travel business situations
- Evaluate the strategic importance of travel agency and tour operation functions

Course structure**5.1 Introduction****5.2 Functions of Travel Agency and Tour Operator****5.3 Keywords****5.4 Self-Assessment Questions****5.5 Further Readings****5.1 Introduction**

International tourist traffic is expected to cross one billion and it is projected to touch 1.5 billion by 2015. One can imagine the volume of tourism business worldwide in this current decade. The role of tour operator and travel agent is significant as they are expected to contribute so much for achieving this target of the UNWTO. As such, tour operators and travel agents promote destinations through their different packages and they are linked with service providers at the forward and backward points. As a business firm, a big tour operating company or a large travel agent operates the business activities that in turn help them yield revenue. There are more than a dozen functional or operational areas that directly and indirectly determine the quantum of business that a travel agency or tour operation firm manages for profit as well as customer satisfaction. In this lesson, major functions of travel agencies and tour operators include travel information, booking tickets, itinerary preparation, designing of tour packages, travel documents, insurance, foreign exchange, franchising, conducting tours, marketing and publicity, research and development, training and development, etc. Table presents the functions of travel agency briefly.

Activity 1: Functional Mapping Task

Task: Identify and list the functions performed by a local travel agency and categorise them into operational and managerial functions.

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Expected Learning Outcome: Understanding of functional roles in travel agencies.

5.2 Functions of Travel Agency and Tour Operator

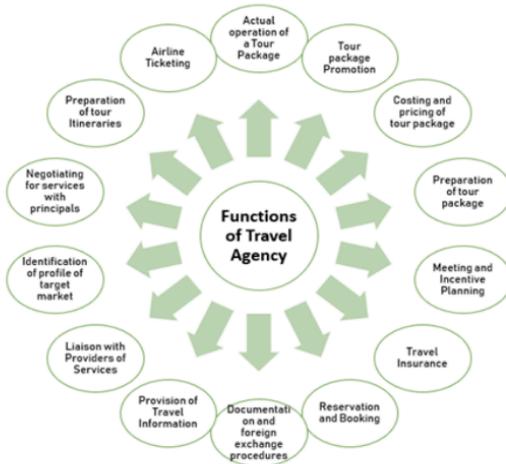
1	Provision of Travel Information	Places of Tourist Interest, Connectivity, Climate Culture, Customs, Currency, Health and Security Checks Permits and Immigration
2	Market Research & Development	Package tours Destinations and Attractions & Other Services Market Study, Customer Purchase Behavior
3	Reservation of Tickets	Airlines, Railways, Buses, Passenger Ships, Events
4	Reservation of Hotel Rooms	Hotels, Resorts, Motels, Home-stay
5	Reservation of Ground Services	Cars, Coaches, Caravans, Entertainment Entries, Guides, Interpreters
6	Selling Cruise Package	Linking with Small Retail Agents, Negotiating Commission with Cruise Company

7	Preparation of Itinerary	Collection of First-hand Information
8	Costing Package Tour	Estimation of Fixed and Variable Costs
9	Designing of Package Tour	Assembling All Elements of Services
10	Conducting FIT, GIT & FAM Tour	Uploading Services to Ground Operator Issue of Exchange Order to Clients and Service Providers Collection of Feedback and Release of Final Payments Participation in FAM Tours
11	Promotion & Publicity	Marketing, Sales Promotion and Publicity
12	Reservation and Cancellation	Booking Rooms, Airlines, Train and Coach Seats

13	Management of Ground Services	Uploading Responsibility to Ground Operator
14	Travel Documents	Handling Enquiries, Counseling, Travel and Destination Information Passport, VISA
15	Preparation of Budget	Annual Cost Estimation Allocation of Budget to Different Departments Management of Finance and Accounts
16	Corporate Responsibility	Social Corporate Social Responsibility towards stakeholders, clients, community and quality ethics
17	Training	and Manpower Planning, In-house and Outhouse

	Development	Training			
18	Maintaining Relationship With Tourism Ministry	Members of Trade Associations			
19	Travel Insurance	Personal, Baggage, Travel Break-up, Accidents, Insolvency			
20	Currency Exchange	Transaction of Buying and Selling Renewal of Authorization, Maintenance of Stock of Currency			
21	Operation of MICE	Meetings, Incentive Travel Conferences, Conventions, Exhibitions, Seminars Symposiums			
22	Disaster Preparedness	Contacting Police and Disaster Rapid Action Force			
23	Use of Information Technology	Hiring IT services and Purchas of Latest IT Gadgets			

Provision of Travel Information



Information is an essential function of travel agency and tour operation. An information seeker can become a customer to buy package tours when detailed information is given to customers. Information must be clear and it must describe the places of tourist interest pertaining to climate, accessibility, amenities, facilities, activities, people, culture, etc. More particularly, tour brochure contains description with images about the places, hotels, transports and other inclusive services. Thus, travel agency and tour operators provide information free of cost through telephone and internet. For example, Cox & Kings and SOTC have created toll free number for information seekers. Auto reply or reply through customer care executives disseminates information. Specific information like travel mode, accommodation, meal plan, attractions, activities and events at a destination is also provided.

Activity 2: Application-Based Task

Task: Design a functional workflow for a tour operator organising a domestic tour package.

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Expected Learning Outcome: Ability to apply functional concepts to tour operations.

Case Study

Introductory Case Study: Operational Excellence in a Modern Travel Agency

Background of the Organisation

In the contemporary tourism industry, travel agencies and tour operators perform multiple functions that go beyond ticket booking and itinerary planning. They act as coordinators, service designers, information providers, risk managers, and customer relationship managers. The efficiency of these functions determines the competitiveness and sustainability of travel businesses.

Thomas Cook India, a well-established travel company, offers a wide range of services including airline ticketing, hotel reservations, holiday packages, foreign exchange, travel insurance, visa assistance, and corporate travel management. The company's success is largely attributed to its ability to integrate operational and managerial functions effectively.

Contextual Trigger

With increasing customer expectations and market competition, travel agencies are required to deliver seamless and personalised services. Customers expect accurate information, cost-effective solutions, and reliable coordination among service providers. Any failure in performing core functions can result in customer dissatisfaction and reputational damage.

During peak travel seasons, Thomas Cook India faced operational challenges such as handling large volumes of bookings, coordinating with multiple service providers, and managing customer complaints. These challenges highlighted the importance of efficient functional management in travel agency and tour operations.

Stakeholders Involved

1. Travel agency management and employees
2. Customers and corporate clients
3. Airlines, hotels, and transport providers
4. Tour operators and destination partners
5. Regulatory authorities and service vendors

Managerial and Behavioural Issues

- Coordination among multiple service providers
- Service quality management and customer satisfaction
- Operational efficiency and cost control
- Employee skill development and service orientation
- Risk management and contingency planning

Importance of the Case for the Lesson

This case demonstrates how the functions of travel agencies and tour operators directly influence service quality and organisational performance. It emphasises the practical

relevance of functional roles in travel trade.

Linkage to Lesson Concepts

The case relates to:

- Operational functions of travel agencies
- Managerial and marketing functions in tour operations
- Coordination and service delivery in travel trade
- Strategic significance of travel agency functions

1 Market Research and Development

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

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

Reservation of Tickets

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

Reservation of Hotel Rooms

The Computer Reservation System (CRS) or the Global Distribution Systems have enhanced the simplifications of reservation of hotel rooms. Hotels put up all the necessary information in advance on their web pages. It includes type of hotel, room, facilities and services, meal

plans, tariff and seasonal offers. It gives wider options to customers to search, compare, chose and finally book a room of their choice. Online booking can be done with the online transfer of payments through internet banking or debit/credit cards upon the arrivals.

Reservation of Ground Services

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

Special Services for Charter Operators are as follows;

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

Selling Cruise Package

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

marketing cruise packages with a variety of offers and discounts to attract tourists. Special Services for Cruise are as follows;

Planning of tour itinerary with all justifications and execution with the final confirmation of cruise companies.

Before the arrival of groups, a team of executives come for port inspection. Tour companies take the team to the ports, fix the appointments with the port officials, superintendent of police, tourist officers, archaeology superintendent as the tourists who travel in the luxury cruise lines are mostly high end clients and their choices and tastes are very special. The groups generally visit the historical and archaeological sites.

Tour companies evaluate the strengths of ground operators in terms of operational elements such as transport, guides, traffic, parking places, safety, hygiene, carrying capacity at the destinations, toilets, road conditions, etc. They take the stock of operational capabilities of ground operators and finally look into feasibility side of conducting the tours. Shore excursion pre/post tours are also conducted. Day return charters are also arranged. Turns around operations are also operated.

Preparation of Itinerary

SEOUL
The Capital
QUICK FACTS ABOUT SOUTH KOREA'S GEM

Seoul originated from the Korean word "Seoul" which literally means "capital city".

Landmass
Seoul is the largest metropolitan area in South Korea. It is ranked as the fourth largest metropolitan area in the world, with a population of 10 million. Seoul is the largest city in South Korea.

Internet Speed
If you've ever used an internet cafe, you'll know how fast the internet is in South Korea. In fact, it's one of the fastest in the world. This is due to the high-speed internet infrastructure that has been built in the country.

Food
Korean food has been making waves around the globe, with kimchi, bulgogi, and other dishes gaining popularity. In Seoul, you can find a wide variety of Korean food, from traditional street food to high-end dining. Don't miss out on the delicious Korean BBQ, which is a popular dish in the city.

Transportation
Seoul has a highly efficient public transportation system, including the subway, buses, and taxis. The subway is the most popular mode of transport, and it's easy to navigate. Taxis are also readily available, and they're a convenient way to get around the city.

Day Tour Itinerary
Maximize your day.

**8:00 AM TO 9:00 AM
BREAKFAST AT MIGABON**
Address: 141 Myeongdong-gil, Myeongdong, Jung-gu, Seoul, South Korea
Lunch: Korean
A-1 Transportation Booking

**9:20 AM TO 10:30 AM
GYEONGBOKGUNG PALACE**
Address: 140 Gyeongbok-gil, Jongno-gu, Seoul, South Korea
Notes: This place is closed on Tuesdays. Guide is free to help navigate the area. At 10:00 AM, there is a ceremony of opening of the palace and grounds. Sign up for the traditional costume experience for free.

**10:30 AM TO 1:00 PM
BUKCHON HANOK VILLAGE**
Address: 48 Bukchon-gil, Gwanak-gu, Seoul, South Korea
Notes: There is a Hanbok rental service in the vicinity of the area. Some Hanbok traditional houses can be accessed for free. Please avoid to explore the houses and beautiful scenery. If interested, sign up for activities at the Traditional Culture Experience Center.

**1:00 PM TO 2:00 PM
LUNCH AT BOKEJANG SIKJANG**
Address: 76 Bongeom-gil, Inseong-gu, Seoul, South Korea
Cuisine: Korean
A-1 Transportation Booking

**2:00 PM TO 4:00 PM
CHANGDEOKGUNG PALACE**
Address: 63 Gyeonggi-ro, Yongsong-dong, Jongno-gu, Seoul, South Korea
Notes: This palace is closed on Mondays. Do not forget to visit Incheon Palace Garden.

**4:30 PM TO 6:30 PM
JJIMJILBANG AT L&S SPA**
Address: 111-111 Euije-ro, Eunpyeong-gu, Seoul, South Korea
Notes: Gyeongjilbang is a Korean public bath house.

**7:00 PM TO 8:00 PM
JINOKHWA HALMAE WANJOK CHICKEN**
Address: 76 Jung-gu, Jung-gu, Seoul, South Korea
Cuisine: Korean
A-1 Google Reserve

**8:00 PM UNTIL DESIRED
SHOPPING AT DONGDASEMUN MARKET**
Address: 48 Dongdaemun-gil, Jung-gu, Seoul, South Korea

NOTES
Some taxi drivers don't speak English and some do not understand Roman alphabet. If you are going somewhere have a copy of the address written in Hangeul or ask for your hotel concierge's help before leaving. Use Kakao Taxi Cause it's easier to download translation apps for easy communication with the locals.
Learn some key phrases.
Don't forget to convert your cash to their local currency.
Respect South Korea's culture. Make sure to follow rules and regulations implemented in each tourist destination.

Itinerary is an important exercise that tour operators engage senior executives to design in a methodical way. Itinerary reflects the nature of tour, types of services and duration of tour.

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

Costing Package Tour

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

Designing Package Tour

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

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

Conducting FIT, GIT and FAM Tour

Tour operator is more particular about the operation of FIT, GIT and FAM tour in a professional manner. Developing an appealing package tour does not end the responsibility of tour operator rather responsibility increases for conducting tour for individual and group travelers. It requires different types of ground arrangements for FIT traveler as compared to GIT travelers. Tour manages, travel associates, interpreters, arrangement of guides,

processing of travel formalities are some of the issues to be taken care of. Travel agencies and tour operators also conduct FAM tours apart from FITs and GITs as part of feasibility of the itinerary/package tours or as promotional methods in collaboration with destination promoters and other service providers.

Promotion and Publicity

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

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

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

Reservation and Cancellation

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

The Global Distribution Systems have facilitated the process of reservation of hotel rooms. Hotels provide necessary information pertaining to the type of room, facilities and services,

meal plans, room tariff and seasonal offers for customers to search, compare, select and book rooms of their own choice. Online payment through internet banking or debit/ credit cards is also made available.

Management of Ground Services

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

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

Travel Documentations

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

Preparation of Annual Budget

Financial management of travel agency and tour operator is an important function. Tentative income and expenditures statement is prepared to ascertain the company's financial position. Budgeting for different activities is prepared taking different business diversification plan into

consideration. In case of a multinational company with branches across the countries, each branch submits the annual income and expenditures to the Regional Office and it is finally consolidated and submitted to the Corporate Office for preparation of annual budget. Majority of travel agents and tour operators approve annual budgets in the apex level meetings. Without proper budgeting and sufficient allocation of funds, it is difficult to find the growth of business in a given financial year.

Corporate Social Responsibility

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

Training and Development

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

Maintaining Relationship with Tourism Ministry

Various operations and activities of travel agents and tour operators are regulated and supported by the National and State Tourism Organizations. As per the guidelines of Tourism Policy, a travel agent or tour operator must be an enlisted and recognized business firm or enterprise to run the business. The Ministry of Tourism also provides links to recognized travel agents and tour operators in the official websites. At the same time, it encourages them to take part in familiarization tour and exhibitions within the country or abroad.

Membership of National and International Travel Organization

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

Travel Insurance

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

Currency Exchange

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

Operation of MICE

Event management is today a completely professional business. Organising seminar, conferences, conventions and exhibitions is also being undertaken by travel agencies and tour operators apart from their regular travel services though there are specialised event management companies for handling such events and programmes. It may be noted that most large travel firms are now offering exclusive Meetings, Incentive travel, Conventions/conferences and Exhibitions (MICE) packages which are handled by their MICE divisions.

Disaster Preparedness

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

Use of Information Technology

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

Activity 3: Analytical Reflection Task

Task: Write a short note on why functional efficiency is critical for customer satisfaction in travel trade.

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Expected Learning Outcome: Development of analytical and evaluative skills.

5.3 keywords

- 1 **Travel Insurance:** Travel insurance is a new business area that constitutes an attractive source of revenue. Customers are much aware of safety of their travel and compensation of package tour.
- 1 **Corporate Social Responsibility:** Ethical and fair-trade, responsible, pro-poor and sustainable tourism aims to provide maximum protection to local ecology and environment.
- 1 **Travel Documentation:** Travel documentations are processed for FIT and GIT package tours. Travel documents include processing of passport, visa and health certificate along with currency endorsements before the commencement of tours.

5.4 Self-Assessment Questions

- 1 List the functions of modern Travel Agency and Tour Operator.
- 1 Explain the important function of travel agency as an important retailer or wholesaler of various travel services.
- 1 Explain various functions of tour operators for running tour operation business.

Self-Assessment Questions**1. Short-Answer Questions (with Answers)**

1. Define the functions of a travel agency.

Answer: Functions of a travel agency refer to the various activities performed to facilitate travel services and satisfy customer needs.

2. Mention two core operational functions of travel agencies.
Answer: Ticket booking and hotel reservations.
3. What is tour packaging?
Answer: Tour packaging is the process of designing and combining various travel services into a single tour product.
4. State two managerial functions in travel agencies.
Answer: Planning and controlling.
5. Define customer relationship management in travel trade.
Answer: CRM refers to strategies and practices used to manage interactions with customers and enhance satisfaction.
6. Mention two marketing functions of tour operators.
Answer: Promotion and market research.
7. What is coordination in tour operations?
Answer: Coordination refers to aligning activities of various service providers to ensure smooth tour execution.
8. State two strategic functions of travel agencies.
Answer: Business development and partnership management.

2. Essay-Type Questions (with Hints)

1. Explain the major functions of travel agencies.
Hints: Operational, managerial, marketing, informational, customer service functions.
2. Discuss the functions of tour operators in designing and executing tours.
Hints: Planning, packaging, pricing, promotion, logistics, evaluation.
3. Analyse the interrelationship between travel agency functions and customer satisfaction.
Hints: Service quality, reliability, responsiveness, value creation.
4. Examine the managerial functions in travel agency and tour operations.
Hints: Planning, organising, staffing, directing, controlling.
5. Evaluate the strategic importance of functional integration in travel trade.
Hints: Coordination, efficiency, competitiveness, sustainability.

3. Analytical MCQs

1. Which of the following is a core operational function of a travel agency?
 - A. Policy formulation
 - B. Ticket booking and reservations
 - C. Government regulation
 - D. Destination development**Correct Answer: B**
2. Tour packaging primarily involves:
 - A. Selling airline tickets only
 - B. Combining multiple travel services into a single product
 - C. Regulating tourism laws
 - D. Managing airports**Correct Answer: B**
3. Managerial functions in travel agencies include:
 - A. Planning and controlling operations
 - B. Issuing visas
 - C. Operating hotels

D. Managing airports

Correct Answer: A

4. Coordination in tour operations refers to:
- Eliminating service providers
 - Aligning activities of multiple stakeholders
 - Reducing customer interaction
 - Increasing government control

Correct Answer: B

5. Customer relationship management in travel trade aims to:
- Reduce service quality
 - Enhance customer satisfaction and loyalty
 - Eliminate competition
 - Restrict travel demand

Correct Answer: B

Case Study for Self-Assessment

Case Study: Functional Challenges in a Growing Tour Operation Company

Background

Kesari Tours, one of India's prominent tour operators, specialises in domestic and international group tours. The company designs tour packages, coordinates logistics, manages tour leaders, and ensures customer satisfaction. Its operational success depends on effective execution of multiple functions across planning, marketing, and service delivery.

Problem Situation

As Kesari Tours expanded its operations, it faced challenges in coordinating multiple tours simultaneously. Issues such as delays in transport arrangements, communication gaps with local service providers, and inconsistent service quality emerged. These challenges exposed weaknesses in functional coordination and managerial control.

Stakeholders Involved

- Company management and operational staff
- Tour leaders and guides
- Customers and group travellers
- Airlines, hotels, and local service providers
- Regulatory authorities and destination partners

Managerial Issues

- Inefficient coordination among service providers
- Gaps in planning and scheduling
- Quality control in service delivery
- Human resource management challenges
- Customer complaint handling

Relevance to Lesson Concepts

This case illustrates:

- **68** Functions of travel agencies and tour operators
- Importance of operational and managerial functions
- Role of coordination in tour execution
- Impact of functional efficiency on organisational performance

Analytical Questions

1. Identify the key functions performed by Kesari Tours.
2. Analyse the functional gaps that led to operational problems.
3. Explain the relationship between coordination and service quality in tour operations.
4. Suggest strategies to improve functional efficiency in tour operations.
5. Evaluate the strategic importance of effective functional management in travel agencies.

5.5 Further Readings

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- Ministry of Tourism, Government of India reports
- World Bank tourism sector studies
- Industry analyses from Economic Times and The Hindu

LESSON 6**SETTING UP A TRAVEL AGENCY AND TOUR OPERATION****Learning Objectives**

After studying this lesson, the learner will be able to:

- Explain the process of establishing a travel agency
- Analyse the requirements for setting up tour operations
- Distinguish legal, financial, and operational prerequisites
- Apply business planning concepts to travel agency formation
- Evaluate strategic factors influencing successful travel businesses

Course Structure

6.1 Introduction

6.2 Setting up a Travel Agency and Tour Operation

6.3 Travel Agency Organization Structure

6.4 Delegation of Authority through Hierarchical

6.5 keywords

6.6 Self-Assessment Questions

6.7 Further Readings

6.1 Introduction

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

Thus, it requires more skills and experiences to run the travel agency business as it deals with more learned and enlightened customers. Travel business now faces competition and making profit in the travel business is not as easy as it was there before one decade ago. The scope of travel agency and tour operation business is very vast when the world is witnessing mushrooming growth of international trade. As a result, the number of business and leisure

travelers has been increasing for the last several years. In this dynamic business scenario, a travel agent is required to be smart in dealing with clients; providing them quality services; and taking the business very seriously. Creating a new customer needs more efforts and expenditure than maintaining relationship with the existing customers. In this lesson, you will read about the procedures for arranging funds, identifying a better locations etc.

Activity 1: Business Planning Task

Task: Prepare a brief business plan for setting up a travel agency in your city, including target market, services, and estimated costs.

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Expected Learning Outcome: Understanding of entrepreneurial and planning aspects of travel business.

1 6.2 Setting up a Travel Agency and Tour Operation

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

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

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

The common interest of any travel agents or tour operators is to make profits to manage the fixed and variable costs. Some of them are interested in offering services with premium price to the target customers and others do offer services to budget customers with the target of selling more. An intelligent travel agent is one who makes all possible efforts to maximize returns at a fast rate by increasing volume of sale or reducing the cost of selling and operating conducted package tours.

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

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

Setting up main or branch offices in good locality provides more opportunity to visit clients for personalized services. Cost for maintaining offices around big government and corporate offices is high. But it gives much advantage to travel agents to establish regular contacts with clients in day-to-day basis. When travel agents operate offices from a distance place from clients, it becomes cumbersome to visit the clients. When we take the example of location of travel agents, you may find travel agents near the railway stations, airports, bus stand and corporate areas. For instance, one can find several branch offices of Thomas Cook in New Delhi, Bangalore and Chennai. Travel agents must be focused on the areas of business for which location can be decided.

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

Selection of Ideal Location



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

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

Selection of Office Premises

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

In order to make the working place comfortable for staff members, it should be well maintained and should preferably be air-conditioned. The building should have separate toilets for male and females with good sanitary wares. Interior designing must be aesthetically done to provide better working environment for the employees. Customers or clients can have better impression on the working environment.

The colour of paints or floor tiles must be soothing to the eye and it must be properly maintainable. Travel agency should display the signboard with description of address. The

building should have located at a landmark place or the building itself is a landmark place in the city in order to attract walk-in customers or other clients.

Selection of Furniture

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

Technological Gadgets

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

Paid-Up Capital

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

Travel agents or tour operators submit a detailed report justifying the scope of growing the business. It is better to borrow loan to start travel agency business as government offers many schemes to avail for maximizing the business returns than investing own capital in the business. The accountability shall be more to survive in the business. Usually, the bank offices evaluate the feasibility report and visit the office premises of travel agency. On the basis of the report, travel agent is granted loan to run the business.

In the present days, running a travel agency with the support of banks or government has become so easy that many travel agents do participate in the promotion of tourism in overseas

on the cost of government. Many family-owned travel agencies are not able to expand the business as they have the fear of running the business with the help of banks. There are two genuine reasons. First, it is a seasonal business and second, the business faces serious risks due to the socio-political risk factors.

Opening Current Account

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

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

Hiring and Retaining Qualified & Trained Staff

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

Thus, the job is not as simple as it is perceived to be. Travel agents should recruit the requisite number of staff given the volume of business. Overstaff may increase overhead expenditures and under staff may affect the operation of business. Travel agents should have staff with the right qualifications and training as it is essential for obtaining approval and recognitions from various agencies. Emphasis must be laid on selecting staff to carry out the duties and responsibilities diligently with dexterity.

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

Customized Transport

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

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

Recognition from Airlines

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

Obtaining Franchise from Cruise Line and Multinational Travel Agency

Many travel agents take franchise from cruise liners or large travel agencies to retail the package tours directly to customers at smaller cities. Travel agents shall have to go for

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

Membership of Local, National and International Associations

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

Parking Area

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

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

Managing Capital and Cost

A travel agent assesses the strengths and weaknesses of the business in the competitive environment as it involves costs for producing and delivering services. Opening a small travel agency office does not need much paid-up capital. It may need for more investment as the business gets diversified. In the formative period, a travel agency faces much hardship to run the business while the bearing of operational costs.

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

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

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

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

Cost on Obtaining IATA Recognition

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

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

On the contrary, it is obligatory to deposit 25 per cent of the total bank guarantee in cash in order to take the stock of tickets. While applying for IATA recognition, an agent spends

heavily on refurbishing the office premises as per the guidelines of IATA. IATA approval procedures increase the fixed as well as variable cost of travel agents. Thus, a professional travel agent having desire to get IATA approval must be prepared to spend on the bank guarantee and ambience of office premises.

Cost on Acquiring Latest Technological Gadgets and Transports

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

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

Case Study

Introductory Case Study: Entrepreneurial Journey of a Start-up Travel Agency in India

Background of the Sector

The Indian travel and tourism industry offers significant entrepreneurial opportunities due to rising domestic travel, growing outbound tourism, and digital transformation. Thousands of small and medium travel agencies operate across India, ranging from traditional brick-and-mortar offices to online travel platforms. Setting up a travel agency requires careful planning, regulatory compliance, financial investment, and strategic positioning.

In 2012, a group of young entrepreneurs in Bengaluru launched a start-up travel agency focusing on customised domestic tours and corporate travel services. Initially operating with limited capital and manpower, the agency aimed to differentiate itself through personalised service and digital marketing.

Contextual Trigger

During the initial phase, the start-up faced multiple challenges such as obtaining necessary licences, building partnerships with airlines and hotels, acquiring customers, and managing cash flows. Competition from established travel companies and online travel agencies posed additional pressures. The founders had to make strategic decisions regarding business model

selection, technology adoption, and market segmentation.

Stakeholders Involved

1. Entrepreneurs and investors
2. Employees and travel consultants
3. Customers and corporate clients
4. Airlines, hotels, and service providers
5. Regulatory authorities and industry associations

Managerial and Behavioural Issues

- Entrepreneurial risk-taking and decision-making
- Resource allocation and financial planning
- Building trust with service providers and customers
- Managing operational complexity
- Developing organisational culture and service orientation

Importance of the Case for the Lesson

This case illustrates the practical challenges and strategic considerations involved in ¹ **setting up a travel agency and tour operation**. It highlights the interplay of legal, financial, and operational factors in establishing a sustainable travel business.

Linkage to Lesson Concepts

The case relates to:

- ³ Steps in **setting up a travel agency**
- Regulatory and legal requirements
- **Business planning and** resource management
- Strategic positioning in travel trade

Activity 2: Regulatory Analysis Task

Task: Identify the licences and registrations required to start a travel agency in India.

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Expected Learning Outcome: Awareness of legal and regulatory requirements.

6.3 Travel Agency Organization Structure

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

The functioning of many large travel agencies has defined organizational structures for sustainable integration between the departments and effective communication. Many travel agencies have restructured to win over other competitors in managing the customers and operations. A large travel agency accomplishes the policy, planning and budgets, joint negotiations with suppliers, preparation of information system, reports, innovative and cost effective solutions, consistent quality standards, payment options and management of travel budget through the establishment of a robust formal organizational structure. In the competitive business scenario, qualified and trained manpower with delegations of authority is being incorporated in the company policy and culture.

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

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

A well-drawn organization structure enables functional and operational areas of the travel agency and tour operation business for improvement of quality services and accountability.

For example, as many as 3200 employees are working in various offices at Kuoni India. The organization structure of the Kuoni Travel Group includes shareholders the board of directors and the managing director along with general managers, finance controllers and chief executives in the organizational hierarchy.

6.4 Delegation of Authority through Hierarchical

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

Activity 3: Strategic Thinking Task

Task: Suggest strategies for a new travel agency to compete with online travel platforms.

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Expected Learning Outcome: Development of strategic and analytical skills.

6.5 Keywords

- **Parking Area:** Parking space must be available near the office for vehicles. While selecting the location of travel agency or tour operation, it essential to have the parking area as it is a precondition for obtaining recognition from the Ministry of Tourism as transport operator or tour operator.
- **Opening Current Account:** For the day-to-day operation of transactions, current account should be opened with the commercial banks preferably located near the office.

- 1 • **Selection of Furniture:** Selecting proper and latest furniture enhances the beauty of office premises. There must be enough market survey to select proper furniture.

6.6 Self-Assessment Questions

- 1 • What are the steps involved in establishing travel agency business?
- Which are the major challenges for a travel agency to establish and run the travel agency business? Explain them with examples.

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

- 23 1. What is meant by setting up a travel agency?
Answer: It refers to the process of establishing a business organisation to provide travel-related services.
2. Mention two prerequisites for starting a travel agency.
Answer: Capital investment and business registration.
3. What is a business plan?
Answer: A business plan is a formal document outlining objectives, strategies, and operational details of a business.
4. State two legal requirements for travel agencies in India.
Answer: Company registration and GST registration.
5. Define tour operation.
Answer: Tour operation is the business of designing, organising, and executing tour programmes.
6. Mention two sources of finance for travel agencies.
Answer: Owner's capital and bank loans.
7. What is the role of partnerships in travel agency business?
Answer: Partnerships help in accessing travel services such as airlines and hotels.
8. State two challenges faced by new travel agencies.
Answer: Market competition and customer acquisition.

2. Essay-Type Questions (with Hints)

1. Explain the steps involved in setting up a travel agency.
Hints: Market analysis, business plan, registration, infrastructure, partnerships, marketing.
2. Discuss the legal and regulatory requirements for establishing tour operations.
Hints: Company laws, GST, tourism department recognition, IATA, insurance.
3. Analyse the financial requirements of a travel agency business.
Hints: Capital investment, operating costs, revenue sources, profitability.
4. Examine the role of business planning in tour operation success.
Hints: Strategy, resource allocation, risk management, sustainability.
5. Evaluate the challenges and opportunities in starting a travel agency in the digital era.
Hints: Competition, technology, niche markets, innovation.

3. Analytical MCQs

1. The first step in setting up a travel agency is:
 - A. Hiring staff
 - B. Market analysis and business idea formulation
 - C. Booking airline tickets
 - D. Obtaining IATA accreditation**Correct Answer: B**
2. GST registration is required for travel agencies primarily to:
 - A. Manage employees
 - B. Comply with tax regulations
 - C. Design tour packages
 - D. Promote tourism**Correct Answer: B**
3. A business plan mainly helps entrepreneurs to:
 - A. Avoid customer interaction
 - B. Define objectives and strategies
 - C. Eliminate competition
 - D. Reduce service quality**Correct Answer: B**
4. Partnerships with airlines and hotels are important because they:
 - A. Replace customers
 - B. Provide access to core travel services
 - C. Reduce technological innovation
 - D. Eliminate legal requirements**Correct Answer: B**
5. The major challenge for new travel agencies in the digital era is:
 - A. Lack of tourism destinations
 - B. Competition from online travel platforms
 - C. Absence of customers
 - D. Excessive government control**Correct Answer: B**

Case Study for Self-Assessment

Case Study: Establishment of a Regional Tour Operation Company in South India

Background

A regional tour operation company was established in Andhra Pradesh to promote domestic tourism and pilgrimage tours. The company focused on destinations such as Tirupati, Araku Valley, and coastal Andhra Pradesh. The founders aimed to cater to middle-income tourists and religious travellers by offering affordable tour packages.

Problem Situation

During the initial years, the company faced difficulties in obtaining recognition from tourism authorities, establishing partnerships with hotels and transport providers, and building brand awareness. Limited financial resources and managerial expertise further constrained its growth.

Stakeholders Involved

1. Founders and management team
2. Employees and tour coordinators
3. Customers and pilgrims
4. Local hotels and transport providers
5. Tourism department and regulatory bodies

Managerial Issues

- Regulatory compliance and documentation
- Financial management and cash flow constraints
- Partner selection and contract management
- Marketing and branding challenges
- Service quality assurance

Relevance to Lesson Concepts

This case illustrates:

- Steps in setting up a travel agency and tour operation
- Legal, financial, and operational challenges
- Strategic decision-making in tourism entrepreneurship
- Importance of planning and coordination

Analytical Questions

1. Analyse the entrepreneurial challenges faced by the regional tour operation company.
2. Identify the key steps followed in setting up the company.
3. Discuss the importance of partnerships in tour operations.
4. Suggest strategies to overcome financial and marketing constraints.
5. Evaluate the role of business planning in the sustainability of the company.

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LESSON 7

1 SOURCES OF INCOME IN TRAVEL AGENCY AND TOUR OPERATION BUSINESS

Learning Objectives

After studying this lesson, the learner will be able to:

- Explain various revenue sources of travel agencies
- Distinguish income streams of tour operators
- Analyse commission-based and service-based revenue models
- Apply revenue concepts to travel business scenarios
- Evaluate emerging income opportunities in the travel trade

Course structure

7.1 Introduction

7.2 Sources Of Revenue

7.3 Sources Of Commission

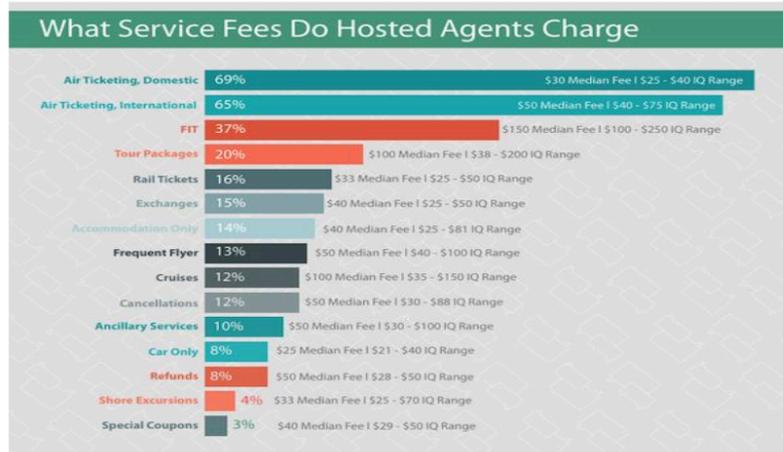
7.4 Threats In The Travel Agency Business

59 7.5 Keywords

7.6 Self Assessment Questions

7.7 Further Readings

1 7.1 Introduction



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

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

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

Activity 1: Revenue Mapping Task

Task: Identify and list all possible income sources of a local travel agency.

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Expected Learning Outcome: Understanding of diversified revenue streams in travel business.

7.2 Sources of Revenue

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

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

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

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

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

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

tours constitute the main source of income of travel agents. An increasing number of travel agents focus on taking franchise or GSA for dealing with packaging services for revenue maximization. In the present travel agency business environment, negotiation with airlines or hotels for the sale of airline seats and rooms in bulk has created a new type of agent i.e. consolidators.

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

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

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

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

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

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

the help of travel agents. Cruise lines offer commissions on the sale of package and transfer of commission is settled monthly or quarterly.

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

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Commission from the Sale of Package Tour

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

For sale of package tours, tour operators offer 10 per cent commission on the total sale of package tours along with incentives for making target sale. For example, Thomas Cook and

Raj Travels reach out customers at various small towns and cities through their authorized travel agents.

Commission from Hotel Room Reservation

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



Commission for Booking of Transport

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

Activity 2: Application-Based Task

Task: Design a revenue model for a hypothetical tour operator focusing on domestic tourism.

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Expected Learning Outcome: Ability to apply income concepts to business planning.

1 Profits from Organizing MICE Activities

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

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

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

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

Commission from Transaction of Foreign Exchange

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

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

Commission from Insurance

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

Revenue from Bank Interests

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

Credit and Debit Card

Travel agents take the payments through credit cards or debits as an importance source of income as they get the commission from banks. Many customers find convenience to make

payments through credit cards when it is acceptable to both. The concept of travel now and pay latter has gained more acceptances.

Financial Benefits of Travel Agency and Tour Operator

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

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

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

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

Travel Agency Business Returns

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

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

7.3 Sources of Commission

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

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

Case Study

Introductory Case Study: Revenue Diversification in a Modern Travel Agency

Background of the Organisation

In the competitive travel industry, travel agencies and tour operators cannot rely solely on traditional commission-based income. Declining airline commissions, increasing competition from online platforms, and changing customer expectations have compelled travel businesses to diversify their revenue sources.

MakeMyTrip, ⁶⁷ one of India's leading online travel companies, earns revenue from multiple sources such as airline ticket commissions, hotel bookings, holiday packages, advertising partnerships, service fees, and data-driven marketing. Similarly, traditional travel agencies have expanded their income streams by offering value-added services like visa assistance, travel insurance, foreign exchange, and corporate travel management.

Contextual Trigger

By the late 2010s, airline commissions in India declined significantly, forcing travel agencies to shift towards service fees and bundled travel products. Customers became more price-sensitive and demanded transparency in pricing. Travel businesses had to redesign their revenue models to ensure financial sustainability.

Stakeholders Involved

1. Travel agency owners and managers
2. Tour operators and service providers
3. Customers and corporate clients
4. Airlines, hotels, and transport companies
5. Advertising partners and digital platforms

Managerial and Behavioural Issues

- Dependence on limited income sources
- Need for revenue diversification and innovation
- Pricing strategies and customer perception
- Balancing profitability with service quality
- Ethical issues in commission-based models

Importance of the Case for the Lesson

This case demonstrates how diversified income sources enhance the financial stability of travel agencies and tour operators. It highlights the strategic significance of revenue

management in travel trade.

Linkage to Lesson Concepts

The case relates to:

- Sources of income in travel agencies
- Revenue models in tour operations
- Commission and service fee structures
- Emerging income opportunities in tourism

7.4 Threats in the Travel Agency Business

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

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

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

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

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

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

Activity 3: Analytical Reflection Task

Task: Write a short note on the impact of declining airline commissions on travel agencies.

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Expected Learning Outcome: Development of analytical and evaluative skills.

7.4 Keywords

Commission for Booking of Transport : Earning commission for reservation of ground transport is a traditional source that each travel agent heavily depends while booking different types of transports for their own clients

7.6 Self-Assessment Questions

1. Which are the conventional sources of revenue for travel agents and tour operators?
2. Which are the emerging sources of maximizing the revenue in travel agency and tour operation business?
3. What is travel agency business returns? List the prevailing percentage of commission for retailing or wholesaling the various principal services

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

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1. What are sources of income in travel agency business?
Answer: Sources of income refer to various ways through which travel agencies earn revenue from travel-related services.
2. Mention two traditional income sources of travel agencies.
Answer: Airline commissions and hotel booking commissions.
3. Define service fees in travel trade.
Answer: Service fees are charges collected from customers for providing travel-related services.
4. What is mark-up in tour operations?
Answer: Mark-up is the difference between the cost price of a tour and its selling price.
5. State two ancillary services offered by travel agencies.
Answer: Visa assistance and travel insurance.
6. Mention two income sources of tour operators.
Answer: Tour package sales and group tour operations.
7. What is corporate travel management?
Answer: Corporate travel management refers to organising and managing business travel for organisations.
8. State two emerging income sources in travel trade.
Answer: Digital advertising and data-driven marketing partnerships.

2. Essay-Type Questions (with Hints)

1. Explain the traditional and modern sources of income in travel agencies.
Hints: Commissions, service fees, ancillary services, digital revenue models.
2. Discuss the income streams of tour operators with suitable examples.
Hints: Tour packages, mark-ups, inbound/outbound tours, niche tourism.
3. Analyse the impact of changing commission structures on travel agency business.
Hints: Airline policies, financial sustainability, business model changes.
4. Examine the role of value-added services in enhancing travel agency income.
Hints: Visa, insurance, forex, CRM, customer loyalty.
5. Evaluate emerging revenue opportunities in the digital travel ecosystem.
Hints: OTAs, advertising, data analytics, partnerships.

3. Analytical MCQs

1. The most traditional source of income for travel agencies has been:
A. Advertising revenue
B. Airline commissions
C. Data analytics
D. Social media marketing
Correct Answer: B
2. Mark-up in tour operations refers to:
A. Government tax
B. Difference between cost and selling price
C. Employee salary
D. Hotel classification
Correct Answer: B
3. Service fees are charged by travel agencies mainly to:
A. Replace commissions and cover operational costs

- B. Reduce service quality
- C. Eliminate customers
- D. Avoid legal requirements

Correct Answer: A

4. Corporate travel management generates income by:

- A. Organising business travel for companies
- B. Running hotels
- C. Managing airports
- D. Issuing visas only

Correct Answer: A

5. Emerging income sources in travel trade are closely linked with:

- A. Manual booking systems
- B. Digital platforms and partnerships
- C. Government subsidies
- D. Agricultural growth

Correct Answer: B

Case Study for Self-Assessment

Case Study: Revenue Model Transformation of a Mid-Sized Travel Agency

Background

A mid-sized travel agency in Mumbai operated primarily on airline ticket commissions for many years. With the gradual reduction of airline commissions and increased competition from online travel platforms, the agency's profitability declined. To survive, the agency diversified its services by offering holiday packages, visa assistance, travel insurance, and corporate travel management.

Problem Situation

Despite diversification efforts, the agency struggled to balance pricing strategies with customer expectations. Customers were reluctant to pay service fees, while operational costs continued to rise. The agency management had to redesign its revenue model to ensure sustainability.

Stakeholders Involved

1. Agency owners and management
2. Employees and travel consultants
3. Customers and corporate clients
4. Airlines, hotels, and service providers
5. Digital platforms and competitors

Managerial Issues

- Designing transparent pricing models
- Educating customers about service fees
- Managing operational costs
- Developing value-added services

- Ensuring profitability and customer satisfaction

Relevance to Lesson Concepts

This case illustrates:

- Sources of income in travel agencies
- Shift from commission-based to service-based revenue
- Role of diversification in travel business
- Strategic revenue management in tourism

Analytical Questions

1. Identify the traditional and modern income sources of the travel agency.
2. Analyse the reasons for declining commission-based income.
3. Evaluate the effectiveness of diversification strategies adopted by the agency.
4. Suggest innovative revenue models for travel agencies.
5. Assess the long-term sustainability of service fee-based income models.

7.7 Further Readings

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- UNWTO ⁴⁹ tourism industry reports
- Ministry of Tourism, Government of India publications
- World Bank tourism sector studies
- Industry analyses from Economic Times and The Hindu

LESSON 8

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DIVERSIFICATION OF TRAVEL AGENCY AND TOUR OPERATION BUSINESS

Learning Objectives

After studying this lesson, the learner will be able to:

- Explain the concept of diversification in travel trade
- Distinguish types and forms of diversification in tourism business
- Analyse strategic reasons for diversification in travel agencies
- Apply diversification strategies to tour operation models
- Evaluate the impact of diversification on competitiveness and sustainability

Course Structure

8.1 Introduction

8.2 Need for Diversifications

8.3 Diversification Strategies

8.4 Keywords

8.5 Self Assessment Questions

8.6 Further Readings

8.1 Introduction

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

Activity 1: Diversification Mapping Task

Task: Identify diversified services offered by a major travel company and classify them as related or unrelated diversification.

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Expected Learning Outcome: Understanding of diversification strategies in tourism business.

8.2 Need for Diversifications

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

Travel can be leisure, holiday, pleasure, recreation, relaxation, and business. All those need systematic planning and scheduling through tour operators. In doing so, travel agencies connect the customers with the hotels, motels, airlines, transporters, cruise liners, and caterers. Many individual wealth tourists do not make their own travel arrangements and they take the help of professional travel agents. People can directly collect data about destinations, facilities, services, price, schedule of services, mode of payment, compensation, etc with the advancements in communication and information technology.

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

travel agents provide complete travel solutions to the customers. It is important to branch out the business for profit maximization.

Significance of Diversifications

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

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

Special Incentive Travel Division

In the era of globalization, many companies promote the incentive travel as an important source to attract and retain employees through exotic holiday trips. Travel incentive programme includes the development of intra-company communications, sales promotion campaigns and establishment of quotas. Compensation on the sale of travel services such as transportation and hotel for a full-service company is usually received in the form of professional fees, expenses, and normal commissions. For example, a small incentive and meeting planner concentrates on the sale of some important elements of a package tour.

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

The corporate houses sponsor the travel as motivational incentives for their employees for which the authorized tour operators are appointed to deal with the arrangements of all

inclusive packages. Incentivized packages are offered by professional travel companies to assist sponsored companies with designing, promoting and executing programmes. Travel wholesalers sell the customized or ready-made group package tours to corporate houses like TATA, Vedanta and NALCO. In some cases, the wholesalers sell tour packages directly to companies as retailers when they have branch offices in the city in which companies are located.

Travel Insurance

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

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

Travel insurance is insurance that is intended to cover medical expenses, financial default of travel suppliers, and other losses incurred while traveling, either within one's own country, or internationally. Temporary travel insurance can usually be arranged at the time of the booking of a trip to cover exactly the duration of that trip, or a multi-trip policy can cover an unlimited number of trips within a set time frame. Coverage varies, and can be purchased to include higher risk items such as Winter sports.

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

1**MICE**

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

The Government has provided some assistance to the MICE industry through financial help in preparing bids for international events. Some State Governments are also helping to set up convention centres near the large metro cities. Industry players are coming together to collectively work for promoting India as a preferred MICE destination for the discerning international Traveller.

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

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

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

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

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

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

They are also present at various MICE events overseas as a team with specialized tour operators and event management team. Hotels have special team for MICE marketing. Alsoairlines are now conscious of this segment that can provide business even during economic downturn as business people need to travel all the year round.

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

Activity 2: Application-Based Task

Task: Propose a diversification strategy for a small travel agency to expand its business.

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Expected Learning Outcome: Ability to apply strategic concepts to practical travel business scenarios.

1 Foreign Exchange

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

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

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

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

Courier Service

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

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

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

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

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

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

Within transport, road transport is an important means for delivery of parcels and other items within the country and between countries in geographical proximity to each other. Access to road transport facilities within a country and ability to operate trucks, vans etc; affect the ability of a Foreign Service provider to provide courier/express services.

Coffee Shops

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

SMS Marketing

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

Short Message Service (SMS)

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

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

SMS Alerts

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

Case Study

Introductory Case Study: Strategic Diversification of Thomas Cook India

Background of the Organisation

Thomas Cook India, traditionally known for travel agency services and tour operations, has diversified its business portfolio over the years. Initially focused on ticketing and package tours, the company expanded into foreign exchange services, travel insurance, corporate

travel management, destination management, and digital travel platforms. This diversification was driven by declining airline commissions, changing customer expectations, and intense competition from online travel agencies.

Contextual Trigger

By the early 2010s, Thomas Cook India faced stagnation in traditional revenue streams. Customers demanded integrated travel solutions, while digital platforms disrupted conventional business models. To sustain growth, the company adopted a diversification strategy by entering related and unrelated business segments within the travel ecosystem.

Stakeholders Involved

1. Company management and shareholders
2. Employees and travel consultants
3. Customers and corporate clients
4. Airlines, hotels, and service providers
5. Financial institutions and digital partners

Managerial and Behavioural Issues

- Strategic decision-making in diversification
- Risk management and resource allocation
- Organisational restructuring and skill development
- Integration of diversified services
- Managing brand identity across multiple services

Importance of the Case for the Lesson

This case demonstrates how diversification enables travel agencies and tour operators to reduce dependency on single revenue sources and enhance business resilience. It highlights the strategic relevance of diversification in the modern travel trade.

Linkage to Lesson Concepts

The case relates to:

- Concept and types of diversification
- Strategic rationale for diversification
- Related and unrelated diversification
- Competitive advantage in travel business

8.3 Diversification Strategies

Diversification strategies are used to spread out firms' operations by adding markets, products, services, or stages of production to the existing business. The intention of diversification is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of

business, it is called concentric diversification and when there is no common thread of strategic fit or relationship between the new and old lines of business are unrelated it is called conglomerate diversification.

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

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

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

Horizontal Diversification

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

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

First, the tourism firm is offering an additional product to a current customer base, so not as much effort has to be expended to locate new customers. **Secondly**, if the tourism firm already has significant knowledge of or familiarity with the customer base's buying habits,

then they can be more efficient in the ways that they serve them. But a major disadvantage of horizontal diversification schemes.

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

Concentric Diversification

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

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

Conglomerate Diversification

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

Activity 3: Critical Reflection Task

Task: Write a short note on the risks and benefits of diversification in travel trade.

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Expected Learning Outcome: Development of analytical and evaluative skills.

8.4 Keywords

- **Horizontal diversification:** Horizontal diversification means to diversify into new tourist products, but targeting the existing customer base as the potential customer base as the potential customer.
- **Travel Insurance:** Travel insurance covers against unexpected events during the tour.
- **Concentric Diversification :** Concentric diversification entails the introduction of a new tourist product to a new but related market.

8.5 Self-Assessment Questions

- Which are the emerging sources of maximizing the revenue in travel agency and tour operation business?
- What is travel agency business returns? List the prevailing percentage of commission for retailing or wholesaling the various principal services
- Discuss the threats in travel agency business. How can these threats be managed tactfully?

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. Define diversification in travel business.
Answer: Diversification refers to the expansion of business activities into new services, markets, or sectors beyond core operations.
2. Mention two reasons for diversification in travel agencies.
Answer: Declining commissions and increasing competition.
3. What is related diversification?
Answer: Related diversification involves expansion into business areas closely linked to existing services.
4. What is unrelated diversification?
Answer: Unrelated diversification involves expansion into business areas not directly connected to core travel services.
5. State two examples of diversified services in travel trade.
Answer: Foreign exchange and travel insurance.
6. What is vertical diversification?
Answer: Vertical diversification refers to expansion across different levels of the travel value chain.

7. Mention two benefits of diversification.

Answer: Risk reduction and revenue growth.

8. State two challenges of diversification.

Answer: Resource constraints and managerial complexity.

2. Essay-Type Questions (with Hints)

1. Explain the concept and forms of diversification in travel agency and tour operation business.

Hints: Related, unrelated, horizontal, vertical diversification; examples.

2. Discuss the strategic importance of diversification in travel trade.

Hints: Risk management, competitiveness, sustainability, innovation.

3. Analyse the diversification strategies adopted by major travel companies.

Hints: Thomas Cook, MakeMyTrip, digital platforms, corporate travel.

4. Examine the challenges and risks associated with diversification in tourism business.

Hints: Financial risk, organisational complexity, brand dilution.

5. Evaluate the impact of diversification on long-term growth of travel agencies.

Hints: Market expansion, resilience, customer value creation.

3. Analytical MCQs

1. Diversification in travel business primarily aims to:

- A. Reduce service quality
- B. Expand business into new services and markets
- C. Eliminate competition
- D. Restrict tourism growth

Correct Answer: B

2. Related diversification involves:

- A. Entering completely unrelated industries
- B. Expanding into services connected to core travel business
- C. Reducing existing services
- D. Avoiding innovation

Correct Answer: B

3. Vertical diversification refers to:

- A. Expansion into unrelated industries
- B. Integration across different levels of travel trade
- C. Reduction of services
- D. Elimination of intermediaries

Correct Answer: B

4. One major benefit of diversification is:

- A. Increased operational risk
- B. Reduced dependency on a single revenue source
- C. Decreased customer satisfaction
- D. Reduced market reach

Correct Answer: B

5. A key challenge of diversification is:

- A. Simplified management
- B. Increased managerial complexity
- C. Reduced innovation

D. Elimination of business opportunities

Correct Answer: B

Case Study for Self-Assessment

Case Study: Diversification Strategy of a Regional Travel Company

Background

A regional travel company in South India initially focused on domestic pilgrimage tours. Over time, it diversified into corporate travel, international tours, travel insurance, and event management services. This strategic diversification helped the company expand its customer base and stabilise revenue streams.

Problem Situation

As the company diversified its operations, it faced challenges in managing multiple service lines. Limited managerial expertise, financial constraints, and coordination issues affected service quality and operational efficiency.

Stakeholders Involved

1. Company management and staff
2. Customers across different service segments
3. Airlines, hotels, and service providers
4. Corporate clients and partners
5. Financial institutions and regulators

Managerial Issues

- Resource allocation among diversified services
- Quality control and service integration
- Strategic prioritisation of business segments
- Human resource development
- Brand management across diversified services

Relevance to Lesson Concepts

This case illustrates:

- Diversification strategies in travel business
- Benefits and challenges of diversification
- Strategic management in tour operations
- Impact of diversification on organisational performance

Analytical Questions

1. Identify the types of diversification adopted by the regional travel company.
2. Analyse the advantages of diversification for the company.
3. Discuss the managerial challenges arising from diversification.
4. Suggest strategies to manage diversified travel services effectively.

5. Evaluate the role of diversification in enhancing business sustainability.

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- UNWTO publications on tourism business strategies
- Ministry of Tourism, Government of India reports
- World Bank tourism sector studies
- Industry analyses from The Hindu and Economic Times

LESSON 9

1 TRAVEL DOCUMENTATION AND IATA ACCREDITATION AND RECOGNITION FROM GOVERNMENT

Learning Objectives

After reading this lesson, you should be able to

- Explain the concept and importance of travel documentation
- Identify major types of travel documents in tourism
- Analyse the process and requirements of IATA accreditation
- Apply procedures for government recognition of travel agencies
- Evaluate the role of regulatory frameworks in travel trade

Course structure

9.1 Introduction

9.2 Passport

9.3 Types Of Passport

9.4 Procedures To Apply For Passport

9.5 Visa- A Key Travel Document

9.6 Procedures To Apply For Visa

9.7 Category Of Visas

9.8 IATA Accreditation And Recognition From Government

9.9 Keywords

9.10 Self-Assessment Questions

9.11 Further Readings

9.1 Introduction

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

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

Activity 1: Document Identification Task

Task: Prepare a checklist of travel documents required for an Indian tourist travelling to a foreign country.

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Expected Learning Outcome: Understanding of travel documentation requirements.

9.2 ¹Passport

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

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

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

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

9.3 Types of Passport



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

Regular Passport



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

Diplomatic Passport

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

Official Passport

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

Passports and travel documents remain to be invalid to certain countries

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

9.4 Procedures to Apply for Passport

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

Enclosure of Documents for Issue of Passport

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

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

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

Issue of Passport under the Tatkal Scheme

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

For Children of General Categories Fees

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

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

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

Regulations applicable to foreigners in India

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

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

Arrival formalities

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

Residential Permit

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

Departure Formalities

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

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



9.5 Visa- A Key Travel Document

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

Case Study

Introductory Case Study: IATA Accreditation Journey of an Indian Travel Agency

Background of the Organisation

In the rapidly expanding Indian travel industry, IATA accreditation is considered a benchmark of credibility for travel agencies. A mid-sized travel agency based in Hyderabad, established in the early 2000s, initially operated as a ticketing and tour package service provider. With the growth of international travel and corporate clients, the agency aspired to obtain IATA accreditation to enhance its market position and operational capabilities.

Contextual Trigger

The agency faced limitations in dealing directly with airlines due to the absence of IATA

accreditation. It depended heavily on consolidators and wholesalers, which reduced profit margins and affected service efficiency. At the same time, corporate clients increasingly demanded direct airline ticketing, transparent pricing, and internationally recognised standards. These factors compelled the agency to seek IATA accreditation and formal government recognition.

Stakeholders Involved

1. Travel agency owners and management
2. Employees and ticketing staff
3. Corporate and individual customers
4. Airlines and IATA
5. Government authorities and regulatory bodies

Managerial and Behavioural Issues

- Financial preparedness for accreditation requirements
- Compliance with regulatory norms
- Organisational restructuring and professionalisation
- Risk management and accountability
- Building trust with stakeholders

Importance of the Case for the Lesson

This case highlights the strategic importance of travel documentation, IATA accreditation, and government recognition in establishing legitimacy and competitiveness in the travel trade. It demonstrates how regulatory compliance influences business growth and customer confidence.

Linkage to Lesson Concepts

The case relates to:

- Types and importance of travel documents
- IATA accreditation process
- Government recognition of travel agencies
- Regulatory framework in travel trade

Activity 2: Application-Based Task

Task: Analyse the advantages of IATA accreditation for a travel agency in India.

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Expected Learning Outcome: Ability to apply regulatory concepts to business practice.

9.6 Procedures to Apply for Visa

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

Visa Guidelines

Following documents are required to be submitted for visa:

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

9.7 Category of Visas

Gratis Visa

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

Diplomatic/Official/UN Official Visa

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

Transit Visa

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

Entry Visa

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

Tourist Visa

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

- (i) Indian Missions or Posts abroad may issue multiple entry tourist visas for a maximum period of ten years to US nationals and five years to UK nationals, with the stipulation that stay during each visit shall not exceed 180 days if desire to stay for more, then should register with the concerned FRRO/FRO within 180 days of arrival.
- (ii) Indian Missions/Posts abroad may issue multiple entry tourist visas for a maximum period of five years to nationals of Argentina, Belgium, Brazil, Chile, Finland, France, Germany, Iceland, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, South Korea, Spain, Switzerland and Vietnam with the condition that stay during each visit shall not exceed 90 days.
- (iii) In respect of foreigners holding multiple-entry tourist visas valid for 5/10 years, there should be a gap of at least two months between two successive visits, the condition of two month's gap can be waived. In all such cases, the foreign national should register with the FRRO/FRO concerned within 14 days of arrival.

- (iv) Tourist visa is neither extendable nor convertible into other type of visa except, in very exceptional circumstances.

Employment Visa

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

Project Visa

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

Student Visa

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

Journalist Visa

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

Business Visa

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

Missionary Visa

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

Mountaineering Visa

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

Conference/Seminar Visa

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

Research Visa

Missions or Posts may grant Research Visa depending upon recognition of the research institution and eligibility of the applicant, except scholars of certain nationalities or/and where research work involves visits to Restricted or Protected areas in India or areas affected by terrorism, militancy and extremism etc. It is valid up to three years or duration of research project, whichever is earlier. The person is required to apply for this visa six weeks prior to the date of travel.

Medical & Medical Attendant Visa

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

Universal Visa

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

Types of visa and their abbreviations are presented in Table

Sl.No.	Type of visa	Abbreviation
1	Diplomat	D
2	Official	O
3	UN Official	UD
4	Transit	TR
5	Entry	X
6	Tourist	T
7	Employment	E
8	Project	P
9	Student	S
10	Journalist	J
11	Business	B
12	Missionary	M
13	Mountaineering	X
14	Conference/ Seminar/ Meeting	C
15	Research	R
16	Medical	MED
17	Medical Attendant	MEDX
18	Universal	U

Registration

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

Children below 16 Years

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

Surrender of Certificate of Registration

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

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

1 Visa Provision

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

Tourist Visa on Arrival

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

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

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

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

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

Indian Diaspora

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

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

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

Their matters are not specifically allotted to any other Departments of the Indian Government.

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

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

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

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

Person of Indian Origin (PIO)

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

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

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

Temporary Landing Permit

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

The nationals from Sri Lanka, Bangladesh, Pakistan, Iran, Afghanistan, Somalia, Nigeria and Ethiopia are not provided with the TLP facility. If a foreigner needs to visit India without a Visa, in case of emergency situations such as death of a family member etc, then TLF are

granted to them provided that the person has to produce a Bonafide proof to the FRRO/FRO-cum-District Superintendent of Police. The TLF is granted for a period of 15 days and if they wish to extend it, they are required to contact Ministry of Home Affairs, Foreigners Division, New Delhi.

The Guidelines for Obtaining Protected Area Permit/ Restricted Area Permit

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

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

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

Health Regulation

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

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

Persons exempted from production of vaccination certificate

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

Infants below the age of six months are exempted.

Any person suffering from some chronic illness and poor resistance is thereby exempted from being vaccinated.

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

Travel Baggage Rules

Cabin baggage rules

Falcon Gold 9 kg One bag and one briefcase  55 x 40 x 30 cm 22 x 15 x 12 in	Economy 6 kg One bag  45 x 40 x 30 cm 17 x 15 x 12 in
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Additional personal items such as a laptop, purse, umbrella, reading book etc. may be permitted.

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

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

Check-in Baggage

The price of an airline ticket may include not only transportation for the passenger, but also personal baggage. The fare paid reflects the kind of seat and service and also the baggage allowance. It is called the Free Baggage Allowance. This allowance comprises the checked

baggage and also the cabin baggage. Each airline determines their own baggage allowances and charges, whilst IATA determines how charges are applied for interline journeys. The baggage allowance shall differ depending on airline, route, class, fare, etc.

Checked Baggage

Checked baggage may be defined in one of these ways:

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

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

Cabin Baggage

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

9.8 IATA Accreditation and Recognition from Government

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

Thus, the Department of Tourism gives approval to travel agents after verifications of documents and premises along with track record of business. Recognition is also a certification issued by the government and it helps the agents in getting the travel documents

issued. This lesson will present the need, procedures and benefits of IATA accreditation and government recognitions.

IATA Accreditation

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

Full Accreditation

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

Accreditation of IATA Agents

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

Travel Agent Accreditation Benefits:

Access to IATA airline members with a single Sales Agency Agreement which authorizes the sale of international and/or domestic tickets.

Access to IATA's Billing and Settlement Plan (BSP), an efficient interface for invoicing and payment between the agent, airlines and transport providers.

Unique identification throughout the global travel industry with the "IATA Numeric Code".

Use of the IATA Accredited Agent logo providing visibility and credibility on premises and website.

Agent staff eligibility for the IATA/IATAN ID Card, giving access to the special deals of over 1000 suppliers.

Standardized procedures to ensure fair dealings with the airlines.

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

Activity 3: Reflective Task

Task: Write a short note on the role of government recognition in ensuring ethical practices in travel trade.

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Expected Learning Outcome: Development of critical thinking on regulatory frameworks.

9.9 Keywords

- **A passport** is a document, issued by a national government for the purpose of the identity and nationality of its citizens. It is used for obtaining visa for international travel.
- **A visa** is a certificate prepared by the immigration officials of the foreign country with stamp marked on a passport after verifying the person's credentials. It gives the person the right to enter a country and stay for a temporary period.
- **International Air Transport Association** is an apex organization to give approval to the travel agents to sell the tickets of international airlines.

9.10 Self-Assessment questions

- What is the meaning of passport? Explain the meaning of different types of passports.
- Explain the various procedures and enclosure documents for obtaining the passport.
- What is visa? Explain different types of visas.

- List the important documents to enclosures for applying for the passport.
- Explain various provisions of visa and describe the tourist visa on arrival in India.

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. Define travel documentation.
Answer: Travel documentation refers to official documents required for domestic or international travel, such as passports, visas, tickets, and insurance.
2. Mention two essential travel documents for international travel.
Answer: Passport and visa.
3. What is IATA?
Answer: The International Air Transport Association is a global trade association of airlines that regulates and standardises air transport operations.
4. State one objective of IATA accreditation.
Answer: To authorise travel agencies to sell airline tickets directly.
5. What is government recognition of travel agencies?
Answer: Formal approval granted by government authorities to operate travel business under prescribed regulations.
6. Mention two benefits of IATA accreditation.
Answer: Direct airline ticketing and enhanced credibility.
7. What is the role of Ministry of Tourism in India?
Answer: Regulating and promoting tourism and recognising travel agencies.
8. State two challenges in obtaining IATA accreditation.
Answer: Financial requirements and compliance procedures.

2. Essay-Type Questions (with Hints)

1. Explain the concept and significance of travel documentation in tourism.
Hints: Types of documents, legal importance, traveller safety, regulatory compliance.
2. Discuss the process and requirements of IATA accreditation for travel agencies.
Hints: Eligibility criteria, financial evaluation, procedural steps, benefits.
3. Analyse the role of government recognition in regulating travel agencies in India.
Hints: Ministry of Tourism, licensing, quality standards, consumer protection.
4. Examine the relationship between IATA accreditation and business performance of travel agencies.
Hints: Market access, profitability, trust, competitiveness.
5. Evaluate the challenges and ethical issues in travel documentation and accreditation.
Hints: Fraud, compliance costs, digitalisation, regulatory complexity.

3. Analytical MCQs

1. The primary purpose of travel documentation is to:
A. Increase tourism taxes
B. Ensure legal and secure travel
C. Reduce travel demand
D. Eliminate intermediaries
Correct Answer: B

2. IATA accreditation enables travel agencies to:
 - A. Operate without government approval
 - B. Sell airline tickets directly on behalf of airlines
 - C. Avoid regulatory compliance
 - D. Replace airlines**Correct Answer: B**
3. Government recognition of travel agencies primarily aims to:
 - A. Restrict tourism growth
 - B. Ensure quality and ethical practices
 - C. Eliminate competition
 - D. Increase airline profits**Correct Answer: B**
4. Which of the following is NOT a travel document?
 - A. Passport
 - B. Visa
 - C. Travel insurance
 - D. Company logo**Correct Answer: D**
5. One major benefit of regulatory recognition is:
 - A. Reduced accountability
 - B. Increased customer confidence
 - C. Elimination of legal requirements
 - D. Reduced service quality**Correct Answer: B**

Case Study for Self-Assessment

Case Study: Regulatory Compliance Challenges of a New Travel Agency

Background

A newly established travel agency in Bengaluru planned to expand into international travel services. To gain credibility and operational efficiency, the agency sought IATA accreditation and government recognition. However, it faced difficulties in meeting financial guarantees, documentation requirements, and compliance standards.

Problem Situation

The agency struggled with preparing financial statements, establishing internal controls, and understanding regulatory procedures. Delays in accreditation affected its ability to attract corporate clients and compete with established agencies.

Stakeholders Involved

1. Agency owners and management
2. Employees and travel consultants
3. Customers and corporate clients
4. Airlines and IATA
5. Government authorities and financial institutions

Managerial Issues

- Financial planning for accreditation
- Compliance management
- Organisational capacity building
- Strategic positioning in the market
- Risk and reputation management

Relevance to Lesson Concepts

This case illustrates:

- Travel documentation requirements
- IATA accreditation procedures
- Government recognition processes
- Regulatory challenges in travel trade

Analytical Questions

1. Identify the key regulatory requirements faced by the travel agency.
2. Analyse the impact of delayed accreditation on business performance.
3. Suggest strategies to meet IATA and government requirements effectively.
4. Discuss the role of regulatory frameworks in ensuring sustainable travel business.
5. Evaluate the importance of compliance in building long-term credibility.

9.11 Further Readings**A. Text Books**

1. Bhatia, A.K., *Tourism Development: Principles and Practices*, Sterling Publishers, New Delhi, 2006.
2. Holloway, J.C. and Taylor, N., *The Business of Tourism*, Pearson Education, Harlow, 2006.
3. Goeldner, C.R. and Ritchie, J.R.B., *Tourism: Principles, Practices, Philosophies*, Wiley, New York, 2012.
4. Gee, C.Y., Makens, J.C. and Choy, D.J.L., *The Travel Industry*, Van Nostrand Reinhold, New York, 1997.
5. Weaver, D. and Lawton, L., *Tourism Management*, Wiley, Sydney, 2014.
6. Foster, D., *Travel and Tourism Management*, Macmillan, London, 1999.

B. Other References

- IATA official publications and accreditation guidelines
- Ministry of Tourism, Government of India notifications
- UNWTO tourism policy reports
- Industry analyses from The Hindu and Economic Times

LESSON - 10

SIGNIFICANCE OF TOUR ITINERARY**10.0 Objectives**

After studying this lesson, the learner will be able to:

- Explain the concept and components of a tour itinerary
- Identify different types of tour itineraries
- Analyse the managerial significance of tour itineraries
- Apply itinerary planning techniques in tour operations
- Evaluate the role of itineraries in customer satisfaction and operational efficiency

Structure

10.1 Tour Itinerary

10.2 Significance of Tour Itinerary

10.3 Types of Tour Itinerary

10.4 Resources of Tour Itinerary

10.5 Keywords

10.6 Self-Assessment Questions.

10.7 Further Readings.

10.1 Tour Itinerary

A travel itinerary is a schedule of events relating to planned travel, generally including destinations to be visited at specified times and means of transportation to move between those destinations.

An itinerary is a key and significant component of a tour package. It may be an initial itinerary or a final itinerary. It is designed to identify the origin, destination, and all the enroute stopping points along with the transportation, accommodation, and other services on a traveler's trip. An itinerary has various portions, and these portions are known as segments. Practically, these segments are dependent on the type of journey undertaken by the tourist. Moreover, an itinerary shows the sequence of the various tourist destinations and provides essential information such as assembling point, departure point, days of departure, duration of a tour, legal requirements, features of destinations, optional activities, and meals and perhaps can be called as a central point for the success of a tour company. To be more effective, a tour

company needs to develop separate and distinctive itineraries for the tourists, tour managers, tour escorts, vendors, and tourist itineraries.

- Itinerary planning is one of the major functions of any travel agency.
- The travel agencies sell ready-made package tours to their clients or may design customized itineraries as per the requirement of the client.
- Itinerary planning has to be done carefully as many details need to be considered like sightseeing, time taken, meals, weather, monument information, the timings of the monuments, and its closure.

Activity 1: Itinerary Design Task

- **Task:** Prepare a three-day tour itinerary for a domestic tourist visiting Andhra Pradesh.

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Expected Learning Outcome: Ability to design structured and feasible tour itineraries.

10.2 Significance of Tour itinerary

Tourism is concerned with pleasure, holidays, travel, and going or arriving somewhere. The activity of tourism is intimately dependent upon travel motivations. In fact, to make travel possible, it is the tour Programme, which plays the most important role in travel motivation. The itinerary is a detailed tour program that enables the destination to be reached.

Tour itinerary planning is the linking of all the journey points of the traveler's journey, i.e. from the origin point, and in between stopping points for sightseeing at the destination and back to the point of origin.



3 According to Leiper, (1990) itineraries provide not only the information to the travelers to reach the destination, but also the intermediate places which may be visited en route. Today's travelers are accustomed to flexibility. With do-it-yourself travel tools readily available and very much the norm for booking leisure travel, it's understandable employees have come to expect the same when planning business travel. They rely on their own ability to conduct research, understand their options, and make informed travel decisions. And, they appreciate the ability to change plans when the need arises. Itinerary brings added flexibility, convenience, and assurance to your employees throughout the travel planning process:

- **Flexibility:** Because travelers can calculate the costs of itinerary changes with Online Ticket Exchange, they're empowered to make informed decisions while experiencing the flexibility to change travel plans as they see fit – all without picking up the telephone.
- **Convenience:** With Hold Trips, travelers experience the convenience of shopping and reserving airline seats, hotel rooms, and rental cars even before trip details are finalized.
- **Assurance:** Pre Trip Approval is added assurance for travelers that they're making the right moves on behalf of the company – all facilitated online and automatically.
- **Simplicity:** Travelers can research costs and exchange tickets online with a few simple clicks, hold itineraries without driving fees, and receive prompt pre-trip approval. This also brings simplicity to travel managers' day-to-day responsibilities by automating features that typically required travel agency intervention.
- **Employee Satisfaction** – Travelers are empowered to make or change travel plans as needed
- **Cost Savings** – More cost savings as more transactions are moved online
- **Compliance:** Because travelers are working within an online system backed by powerful rules engines, multiple checks and balances are automatically in place to ensure policy compliance.
- **Control:** Travel managers experience more control over the program process with the ability to set and enforce policies online when it comes to exchanging, holding, and approving travel itineraries.

Case Study

Introductory Case Study: Designing a Competitive Tour Itinerary for Kerala Tourism**Background of the Organisation**

Kerala Tourism, promoted by the Government of Kerala, is one of India's most successful tourism brands. Tour operators working with Kerala Tourism offer diverse packages covering backwaters, hill stations, wildlife sanctuaries, and cultural heritage. In a highly competitive tourism market, tour operators increasingly rely on well-designed itineraries to differentiate their offerings and enhance tourist experiences.

Contextual Trigger

A leading tour operator in Kochi faced declining bookings despite competitive pricing. Customer feedback indicated dissatisfaction with rigid schedules, inadequate time allocation for attractions, and poor coordination between travel segments. To address these issues, the company undertook a comprehensive redesign of its tour itineraries, focusing on flexibility, experiential value, and efficient logistics.

Stakeholders Involved

1. Tour operator management and planning team
2. Tour guides and operational staff
3. Tourists and travel agents
4. Hotels, transport providers, and local vendors
5. Government tourism authorities

Managerial and Behavioural Issues

- Balancing efficiency with tourist satisfaction
- Coordination among multiple service providers
- Time management and resource allocation
- Customisation versus standardisation of itineraries
- Managing customer expectations

Importance of the Case for the Lesson

This case demonstrates how tour itineraries function as strategic tools in tour operations. It highlights the role of itinerary planning in enhancing service quality, operational efficiency, and competitive advantage in tourism business.

Linkage to Lesson Concepts

The case relates to:

- Concept and components of tour itinerary
- Types of itineraries
- Significance of itinerary planning
- Managerial implications in tour operations

Activity 2: Analytical Task

Task: Compare two tour itineraries offered by different tour operators and identify key differences.

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Expected Learning Outcome: Understanding of strategic and operational aspects of itinerary design.

10.3 Types of Tour Itinerary

An itinerary is a day-to-day plan of a journey. It includes all the activities and destinations that the tourist will engage in or visit during his or her journey. An itinerary is generally based on a client profile. A client profile gives the travel agent an idea of the person or persons they are drawing up a tour plan for. The travel itinerary might serve different purposes for different kinds of travellers, a travel agent must know all the characteristics of her/his target customers. The construction of a travel itinerary may be assisted by the use of travel literature, including travel journals and diaries, a guidebook containing information for visitors or tourists about the destination, or a trip planner website dedicated to helping the users plan their trips. Typically a travel itinerary is prepared by a travel agent who assists one in conducting their travel for business or leisure.

A typical business traveller's itinerary might include information about meetings, events, and contacts with some time for leisure travel, while a leisure traveller's itinerary would predominantly include destinations, points of interest, and transportation means.

Itineraries are also distinguished in terms of mode of travel—for example, walking, cycling, automotive means, or water transport; in terms of the time of tour operation—year-round, seasonal, or one-time itineraries; and in terms of the different arrangements that may be involved for a group and individual itineraries. Tourists may follow organized, or pre-planned, tour routes (based on tourist organization travel vouchers), or they may work out their own independent itineraries. Organized tour routes are specially designed and equipped to offer tourists such services as excursions, tourist centers, and campsites.

There are essentially two types of itineraries:

- a. **A General Itinerary – That is aimed at and marketed to a wide variety of clients. It is an open itinerary taking into consideration a wide range of interests.**

- b. **A Personalized Itinerary – That is especially drawn up for a specific client according to that client's needs and interests.**

The following information should be kept in mind when planning an itinerary:

- Always have an interesting and attractive heading
- Show the date and time clearly
- Mention the tour highlights
- Always break your itinerary up into paragraphs with new dates
- Provide as much information about the attractions and activities included in your tour plan, as possible
- Always use the 24-hour clock,
- Allow sufficient time for each highlight
- Place each highlight in chronological order. Remember you need to save your client traveling time and cost
- Try to finish each day with a special highlight, if possible
- The distance must be realistic, try to use the 60 km per hour rule

3 Contents

- Write clearly and to the point.
- The client must want to travel immediately to their preferred destination when they read your itinerary.
- It must however leave the client wanting to travel in order to discover the destination for them.
- Never use the word etc in an itinerary
- If your itinerary is for five days or more, you can include one day at leisure but be sure to suggest a variety of things to do on that day, that would match the client's profile
- You must be clear about accommodation, transport, attractions, and activities that the tourist is paying for.

A **Travel** itinerary can be one destination or a combination of more. It's always better to understand your reason and then plan any kind of travel. In India, you can find both kinds of itineraries available with travel agents.

The itineraries may be ready-made or made on request. The ready-made itineraries are made in advance without knowing when and who will buy them. It is similar to produce clothes, shoes, and display in a shop. It is prepared to suit the maximum number of potential travelers. It must be salable and should be focused on the potential market segmentation. While preparing a ready-made itinerary, a travel agent should consider its capacity, market, marketing strategy, competitor's policy, future company policy, pricing policy, etc. They are used for packaging tours, so these are also known as package tours. Special or tailor-made itineraries are made on request to suit the individuals. They are made on request or on demand of the particular customer. While preparing these types of itineraries, two-way communications are possible so that we can ask and prepare as per the requirement. In this type of itinerary, duration, places of visit, date, hotel plan, type of service required are known. We know who and when will buy the tour.

Itinerary based on tour type:

- **Single or multiple destinations:** To include only one destination or to include more than one destination in one itinerary.
- **Private Tour Itinerary** - This is a personalized itinerary that is designed by a tourist with the guidance of a tour operator. This itinerary is more flexible in terms of time, accommodation, and travel destinations.
- **Group Tour itinerary** - In a group tour, the person becomes a part of the group, and the tour itinerary will be the same for all group members. It involves vehicle sharing, hotel information, and details about destinations to visit.
- **Special Interest Tour Itinerary** - This is the itinerary designed for any specific package tour like adventure tour, spiritual tour, honeymoon package, road trip, or women special tour.
- **Domestic Tour Itinerary** - This itinerary is designed to travel in a tourist's home country.
- **Inbound Itinerary:** An itinerary prepared for foreigners to visit our country.
- **Outbound package:** An itinerary prepared for domestic tourists to visit foreign countries.

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Travel itinerary types based on the purpose of travel:

- **Business Trip Itinerary** - A business traveler's itinerary may provide information on meetings, relevant contacts, tasks, hotel details, and some leisure activities.
- **Leisure Trip Itinerary** - The itinerary of a leisure traveler would include destinations, modes of transport, activities, and travel route.

Travel itinerary type based on the usage:

- **Tourist itinerary** - The travel company shall provide the tourist with detailed schedules when you book the tour with them. It has a clear overview of the trip and daily activities.
- **Tour Manager's Itinerary** - With all the tourist itinerary information, the tour manager will have additional information on transportation and accommodation, contact details of the concerned person, and tourist information.
- **Tour Escort's Itinerary** - In this itinerary includes detailed information about all tourist destinations, ticket prices, a list of other essential tour items, and emergency contact numbers.

Tour Itineraries can be prepared by travel agencies; they take into account the tourists' interests and purposes as well. A manager's itinerary includes itineraries for various clients. The guest itinerary includes a detailed description of the destination, interesting points, some do's and don'ts. The main objective is to motivate tourists to involve in the tour.

Background Information For Preparing Itinerary

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

10.4 Resources of Tour Itinerary

Planning of tour itineraries requires expertise and knowledge of the travel destinations. As the tour professional cannot visit each and every tourist destination, the following resources (see figure 10.1) can be of help planning itineraries.

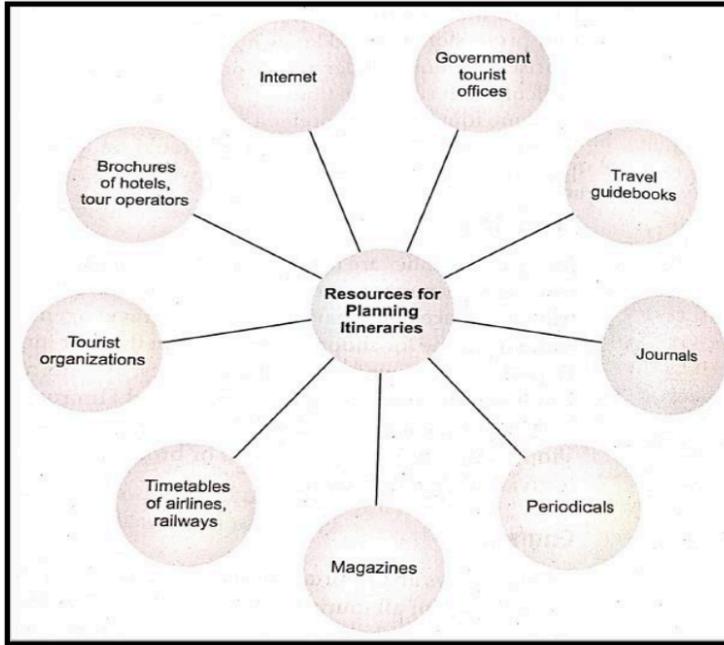


Fig – 10.1 Resources of Tour Itinerary

The primary function of a travel agency is to plan tours. Each travel agency is responsible for creating unique tour itineraries by utilizing a variety of resources, including brochures of hotels & brochures tour operators, Tourist organizations, railway and airline schedules, magazines, periodicals, Journals, travel guidebooks, government tourist offices information, and the internet.

The majority of travel agencies use the internet to gather secondary data for planning tour itineraries. They collect a lot of information, including information about famous tourist

attractions, admission fees, the best time to visit, special attractions at that tourist destination, activities conducted, shopping details, transportation details, and a route map.

Feedback from clients

Clients' feedback, whether positive or negative are a valuable source of information. Usually, a feedback form is given to the client before the tour, which has to be mailed to the travel agent after completion of the tour. The travel agent can also call up their clients and find out how their tour was.

Apart from your clients, your friends, relatives, and colleagues can also be a good source of information regarding the tourist destinations.

Government tourist offices

The national and state government tourist offices offer useful information to the tourist, and tour professionals. The information ranges from the history, geography, culture, hotels, tourist attractions, museums, fairs and festivals, special events, mode of transport available, etc. Brochures, folders, pamphlets, posters, CDs are made available at these tourist offices.

Travel guidebooks

Travel guidebooks are available at the various bookstores. These guidebooks contain important travel information for the tourist and the tour professionals. For example, Lonely Planet Magazines, Journals, and Periodicals These are also important sources of travel information. For example, Outlook Traveller, National Geography, etc.

Tourist organizations

The tourist organizations are also an important source of information for the professional travel agent, For example, International Air Transport Association, Cruise Line International Association, American Society of Travel Agents Association, Travel Agents Association of India, etc. These tourist organizations publish their regular newsletter, journals, etc. for the travel industry.

Brochures of hotels and tour operators

Hotels publish their yearly tariff along with other details of various services and amenities offered in the hotel. The tariff details are of help while doing the costing of the hotel. Many tour operators also publish their brochures with the tour programs.

Internet

The Internet is the most useful source of information which can be accessed within seconds at the click of the mouse.

Timetables

Many airlines publish their regular schedule along with the air tariff every month. The railways also publish their yearly timetable with all details. The Indian Railways publish Trains At a Glance. Other examples are the Official Airline Guide (OAG), Passenger Air Tariff Indian Airlines Timetable, etc.

Activity 3: Reflective Task

Task: Write a short note on how itinerary planning influences tourist satisfaction.

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Expected Learning Outcome: Development of critical thinking on service design in tourism.

10.5 Keywords

- **Tour Itinerary** – An itinerary is a plan of a journey showing the route and the places that the visitor will visit. Thus, it is a schedule or timetable produced in association with a package tour.
- **Tour departure** – The date of the start by any individual or group of a tour program, also used in referral to the entire operation of that single tour.
- **Special Interest Tour Itinerary** - This is the itinerary designed for any specific package tour like adventure tour, spiritual tour, honeymoon package, road trip, or women special tour.

10.6 Self-Assessment Questions

- Write a brief note on the tour itinerary concept.
- Discuss the significance of the tour itinerary?
- Discuss various types of itineraries?
- What are the Resources for planning itineraries?

Self-Assessment Questions**1. Short-Answer Questions (with Answers)**

1. Define a tour itinerary.
Answer: A tour itinerary is a detailed plan of a tour specifying destinations, travel routes, schedules, accommodation, and activities.
2. Mention two components of a tour itinerary.
Answer: Travel schedule and accommodation details.
3. What is the significance of a tour itinerary in tourism?
Answer: It ensures systematic planning and efficient execution of tours.
4. State one managerial benefit of itinerary planning.
Answer: Improved coordination among service providers.
5. What is a customised itinerary?
Answer: An itinerary designed to meet specific preferences of individual tourists or groups.
6. Mention two types of tour itineraries.
Answer: Standard itinerary and customised itinerary.
7. State two challenges in itinerary planning.
Answer: Time constraints and logistical coordination.
8. What is the role of itineraries in tour marketing?
Answer: They serve as promotional tools to attract customers.

2. Essay-Type Questions (with Hints)

1. Explain the concept and components of a tour itinerary.
Hints: Definition, elements, structure, examples.
2. Discuss the significance of tour itineraries in tour operations management.
Hints: Operational efficiency, customer satisfaction, cost control, coordination.
3. Analyse the process of designing an effective tour itinerary.
Hints: Market analysis, destination selection, scheduling, budgeting.
4. Examine the role of tour itineraries in enhancing competitiveness of tour operators.
Hints: Differentiation, branding, service quality.
5. Evaluate the challenges and solutions in itinerary planning.
Hints: Uncertainty, coordination, technology, flexibility.

3. Analytical MCQs

1. The primary purpose of a tour itinerary is to:
A. Increase travel costs
B. Provide a structured plan for a tour
C. Eliminate service providers
D. Reduce tourist satisfaction
Correct Answer: B
2. A customised itinerary is designed to:
A. Follow a rigid schedule
B. Meet specific customer preferences
C. Reduce operational costs only
D. Eliminate flexibility
Correct Answer: B

3. An effective itinerary contributes to:
- Poor coordination
 - Higher operational efficiency
 - Reduced tourist satisfaction
 - Elimination of marketing strategies

Correct Answer: B

4. Which of the following is NOT a component of a tour itinerary?

- Destination details
- Travel schedule
- Accommodation arrangements
- Corporate logo design

Correct Answer: D

5. The quality of a tour itinerary directly influences:

- Tourist satisfaction and service quality
- Weather conditions
- Government policies only
- Airline regulations

Correct Answer: A

Case Study for Self-Assessment

Case Study: Redesigning a Heritage Tour Itinerary in Rajasthan

Background

A tour operator in Rajasthan specialised in heritage tours covering Jaipur, Jodhpur, and Udaipur. Although the tours attracted international tourists, customer feedback indicated dissatisfaction with overcrowded schedules and inadequate experiential elements.

Problem Situation

The operator realised that the itinerary focused more on covering multiple destinations rather than enhancing tourist experience. Time allocation was poorly planned, and coordination among service providers was weak.

Stakeholders Involved

- Tour operator management
- Tour guides and service staff
- Tourists
- Hotels, transport providers, and local artisans
- Tourism authorities

Managerial Issues

- Balancing coverage and experience
- Scheduling and time management
- Coordination among stakeholders
- Customer-centric itinerary design

- Quality control

Relevance to Lesson Concepts

This case illustrates:

- Importance of itinerary planning
- Managerial role of itineraries
- Impact of itinerary design on tourist satisfaction
- Operational challenges in tour management

Analytical Questions

1. Identify the weaknesses in the original tour itinerary.
2. Analyse how itinerary redesign can improve tourist satisfaction.
3. Suggest strategies to make heritage tour itineraries more experiential.
4. Discuss the role of tour itineraries in sustainable tourism development.
5. Evaluate the managerial implications of itinerary planning.

10.7 Further Readings.

A. Text Books

1. Bhatia, A.K., *Tourism Development: Principles and Practices*, Sterling Publishers, New Delhi, 2006.
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5. Weaver, D. and Lawton, L., *Tourism Management*, Wiley, Sydney, 2014.
6. Foster, D., *Travel and Tourism Management*, Macmillan, London, 1999.

B. Other References

- [UNWTO](#) publications on tour planning and itinerary design
- [Ministry of Tourism, Government of India](#) reports
- [Tourism industry analyses from The Hindu and Economic Times](#)
- [Kerala Tourism official publications](#)

LESSON - 11

TOUR ITINERARY PLANNING & DEVELOPMENT**11.0 Objectives**

After studying this lesson, the learner will be able to:

- Explain the process of tour itinerary planning
- Identify factors influencing itinerary development
- Analyse strategic and operational aspects of itinerary design
- Apply planning techniques in tour itinerary development
- Evaluate the effectiveness of tour itineraries in tour operations

Structure

11.1 Basic Information is required to plan the tour itinerary

11.2 Tour Itinerary Planning

11.3 Do's & Don'ts of Tour Itinerary

11.4 Free Independent traveller (FIT) & Group Inclusive Tours (GIT)

11.5 Keywords

11.6 Self-Assessment Questions.

11.7 Further Readings.

11.1 Basic Information is required to plan the tour itinerary

The following information is required from the client by the travel agent to plan a tour itinerary.

- Approximate dates or month of travel of the client
- Total number of people travelling
- Mode of travel along with the class
- Class of hotel and type of local transport
- The budget of the client
- Any extra services required

Approximate Dates or Month of Travel

This information is required because during the tourist season and school vacations, most tourist places are packed to their capacity. Sometimes the hotels are also booked well in advance by the large tour operators. Getting air and train reservations are also difficult during

the peak season time. For example, the months of December and January being the high season in Goa, tourists may have to stay in their vehicles or at the beaches because of the unavailability of rooms. For the summer season, people flock to the Himalayan states of Jammu and Kashmir, Uttarakhand, and Himachal Pradesh to escape from the hot climate in the plains. After getting this basic information, the travel agent can accordingly recommend to his/her clients the places he/she intends to visit. Other alternatives can also be suggested to the client if there is non-availability of rooms or transport services.

Activity 1: Practical Planning Task

Task: Design a five-day tour itinerary for an international tourist visiting India, including destinations, schedules, and services.

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Expected Learning Outcome: Ability to apply itinerary planning concepts in real-world contexts.

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Total Number of People Travelling

This information is useful for booking the hotel and transport arrangements. In the case of a group of 15 or more passengers, the group can avail discount in the tariff. Hotels offer discounts to groups depending on the group sizes. The tour leader is given free accommodation and other services by the tour operator.

The other important information needed is whether any children are travelling with the passenger. The hotels charge a substantial amount depending on the age of the child. Children below five years are usually not charged anything by the hotels. Children between five to 12 years of age have to pay certain charges for an extra bed if it is needed. However, every hotel has its policy on the tariff of the hotel. If an extra bed has to be provided in a double room, the cost of the tour has to be done on triple occupancy basis. Thus, such minute details are necessary while planning the itinerary. Even the transport arrangements needed for sightseeing will depend on the size of the group travelling. For example, two to four people

will need a car, six to eight people will need a Toyota Qualis or a van, a 14-seater minibus will be required for a group size of 14 and a larger 35-seater bus or 55-seater bus for a larger group, depending on the group size.

Mode of Travel Along With the Class

There are various modes of travel available and tourist preference is of utmost importance. Some tourists might want to save on travel time while some might be high spending luxury tourists and prefer first or business class seats and travel by air. There are tourists who would want to enjoy the scenic beauty of the countryside and travel by rail or road while some tourists are budget conscious and will opt for a second-class train ticket or a semi-deluxe coach.

Sometimes, the tourist may prefer the privacy of a chauffeur-driven car for sightseeing at tourist places or he might arrange it on his own. Such details are needed while costing the tour.

Class of Hotel and Type of Local Transport

Tourists have a wide variety of choice of hotels to choose from depending on their budget. The luxury tourists might opt for five-star hotels whereas the cost-conscious tourists will prefer a standard budget hotel. Knowledge of all the different types of accommodation and local transport available is thus necessary for the tourism professional.

The Budget of the Client

This information is needed so as to find out the tour cost of the itinerary. For a high budget tourist, options of five-star or four-star hotel along with airline transport and a luxury car for sightseeing can be given. A middle-class tourist can be given the option of a three-star hotel, train journey, and an ordinary car for sightseeing. Whereas a budget-conscious tourist can be suggested a two-star or one-star hotel, train journey, and bus for sightseeing.

Any Extra Services

Extra services such as a guide, an escort, and additional facilities such as entertainment will definitely add to the tour cost of the itinerary and so will a visit to additional tourist attractions in the vicinity.

11.2 Tour Itinerary planning

After receiving confirmation from your potential client, identifying the destinations to be visited, the number of people travelling, the budget of the client, and booking the air and ground transport segments, the next job is to plan the tour itinerary. While planning an itinerary, the route has to be established first. The distances in kilometers between the tourist

cities and the places of attractions, the approximate time is taken for travelling and visiting the sightseeing places should also be considered. The name of the hotel booked for the client along with the specification of meals, if any, and the day-to-day activities to be recommended have to be mentioned in the tour itinerary.

Route Map and Routing of Itinerary

The tour professional or travel agent should have a clear picture of the exact route to be followed whether it is by air, rail, or road for the client's itinerary. An atlas, road maps, maps of individual states, cities and countries, come in handy while planning and explaining the itineraries to the clients. Railway and airline route maps and timetables are also available which can be of help to the travel agent. Routing is very important while planning a tour itinerary. For road travel, the journey should be scenic. The itinerary should be practical. Backtracking, doubling back, or routing the client in circles should be avoided, unless it is necessary.

In the case of business tourists, their meeting plans should be considered as the itinerary has to be planned according to their requirements. Thus, the itinerary should be carefully planned and detailed out as per the client's requirements.

Pacing the Itinerary

The tour itinerary plan should be paced as per the client's requirement. The client's age and health should be considered while chalking out the itinerary. Senior citizens or old people cannot travel at a stretch for a long duration. They will prefer a relaxed tour itinerary with less walking. Similar is the case if a family is travelling with small children or for tourists with some physical disability. The assumption that younger people can travel at a faster pace is not always true and thus each and every client has to be considered on an individual basis depending upon their requirement and need to travel.

Thus, while planning the itinerary, the limitations of passengers' endurance have to be thought of. The pacing of the tour should not be too slow or too fast. To keep the itinerary moving, the pace of the itinerary should not be too fast because of which the clients are pushed continuously and become tired and irritated. This might make their trip less enjoyable. The tour should be reasonably planned with half-day and full-day sightseeing, and with some two or three overnight stays.

Interests of Tourists

This is one important way to add more value to the tour itinerary. The client's interests or liking can be matched with the corresponding activities and attractions of the tour itinerary. The tour professionals should thus talk to their clients to know their interests. Recreational

activities, educational activities, fun, games, entertainment, dance shows, cultural shows, plays, etc. can be added to the basic itinerary as per the interest of the client. Determining and matching the interests of clients requires a thorough knowledge about the destination, as well as practice and expertise in the planning of itineraries.

Details to be Considered

Certain minute details are important while planning the tour itinerary. Even when you plan an attractively detailed itinerary and miss out on a small point, the entire tour of the passenger may be a failure. One of the most important things to do is to check whether the sightseeing place or tourist attraction is open on that particular day when your client arrives, for example, the Taj Mahal, Agra is closed on Fridays. Also, all ground arrangements and air travel should be reconfirmed. Similarly, you should inform your clients regarding the check-in formalities at the airport, the amount of baggage to be carried and the kind of clothing, etc. suitable at the destination.

Energy Level of Tourists

The energy level of the client and the energy level needed for the tour itinerary should be matched for a successful trip. This can be done by knowing what kind of holiday or travel experience the traveller is exactly looking for. At some tourist attractions, particularly hill stations such as Shimla and Manali, large vehicles are difficult to drive. The tourists might have to walk for some kilometers to reach these attractions. Thus, the tour professional should know how much walking is required for certain tourist attractions. Older people or a family with small children may face difficulties in such situations. Some tourists might prefer a quiet vacation near the beach or at a hill resort. Thus, the tour professional should be able to judge the energy level of the client and then match it with the itinerary.

Shopping

Many tourist cities are famous for some special things to shop for. Tourists want to carry mementos or souvenirs, purchase gifts for family and friends from the places they have visited. The travel agent should always keep some free time for shopping or leisure in the tour itinerary. For example, Rajasthan is famous for tie and dye fabrics, morjaris, and Kundan jewellery while Aurangabad is for Paithani sarees and Himroo shawls. Many tour agents and tour operators lure tourists by highlighting shopping in their advertisements or brochures. For example, the Dubai festival, Malaysia festival, etc.

Climate

Climate plays an important role while recommending a travel destination to tourists. Not all tourists are aware of the climatic conditions of tourist places. It is the job of the travel agent to inform the tourists accordingly as to what essential clothing and accessories should be carried for the trip. Tourists should not be recommended to travel to hilly and snowy areas during the rainy season, as it may be dangerous if there are landslides, flooding, and road blockage. The flights also may sometimes get cancelled or delayed due to bad weather conditions.

Tourists always prefer to escape to places famous for good climatic conditions. In the summer season the hill stations, Himalayas, or cooler places in the plains are the most sought-after destinations.

Case Study

Introductory Case Study: Digital Transformation in Itinerary Planning by MakeMyTrip

Background of the Organisation

MakeMyTrip, India's leading online travel platform, has transformed the traditional approach to tour itinerary planning through digital technologies. Initially focused on flight and hotel bookings, the company gradually integrated itinerary planning tools, personalised travel recommendations, and dynamic package creation. This shift reflects the growing demand for customised, technology-driven travel experiences.

Contextual Trigger

With increasing competition from global online travel agencies and changing consumer preferences, MakeMyTrip faced the challenge of offering more personalised and efficient tour planning services. Customers expected flexible itineraries, real-time updates, and seamless integration of transport, accommodation, and experiences. To respond to these expectations, the company invested in data analytics, artificial intelligence, and digital platforms for itinerary development.

Stakeholders Involved

1. Company management and technology teams
2. Travel planners and tour designers
3. Customers and corporate clients
4. Service providers (airlines, hotels, transport operators)
5. Technology partners and regulators

Managerial and Behavioural Issues

- Integration of technology with traditional tour planning
- Balancing standardisation and customisation
- Managing customer expectations in dynamic travel environments
- Coordination with multiple service providers
- Data-driven decision-making in itinerary development

Importance of the Case for the Lesson

This case illustrates how itinerary planning and development have evolved from manual processes to technology-driven systems. It highlights the strategic and operational significance of systematic itinerary development in modern tour operations.

Linkage to Lesson Concepts

The case relates to:

- Stages of itinerary planning
- Factors influencing itinerary development
- Role of technology in itinerary planning
- Strategic importance of itinerary design

Activity 2: Analytical Task

Task: Identify key factors that influence itinerary development for adventure tourism.

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Expected Learning Outcome: Understanding of contextual factors in itinerary planning.

11.3 Do's & Don'ts of Tour Itinerary

Do's

- Do add all places of a halt with date and time.
- Do provide a brief summary of the city(s)/country and the sights.
- Do provide the name of the hotel, type of vehicle, time of arrival, and departure.
- Do include meal plans.

- Do provide links for additional information about the city, country, sights, restaurants, hotels.
- Do provide as many relevant maps as possible.
- Do provide names and places written in the local language.
- Do provide unique information about the destination (Ex: scams and customs).

Don'ts

- Don't add too many details which might cause confusion.
- Don't leave directions ambiguous. There are lots of distractions when coming into a new city, be as specific as possible.
- Don't forget about the nature of the group, age group, physical disabilities, eating habits, and language barriers.
- Don't go overboard on the hotel recommendations. Most hotels are pretty similar in a given price range.
- Don't include shops that are not registered, restricted areas without availing permits, etc.
- Don't forget about restaurant recommendations.

11.4 FIT & GIT

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A free independent traveler is a type of tourist who plans their own travel, avoiding mass tourism, package holidays, and group tours. FITs may travel on their own. FIT will organize their travel itinerary themselves. FITs explore their destinations in their own time, often immersing themselves in the local food, culture, architecture, and history.

²³
A Group Inclusive Tour itinerary religiously follows the fixed itinerary and adheres to the schedule. Any GIT package tour has no other option but to follow it. The reason behind it is that there is no scope for alterations as it is attached to several other pre-arrangements. Any change in the existing itinerary will cause complete disturbance in the total tour and affect the entire distribution channel. Services of a package tour along the itinerary like a hotel room, cars, guide, flight, event entry, etc. are fixed much in advance and any modification results in chaos and the entire schedule spoil. Then it becomes very difficult for the operator as well as a supplier to rectify or rearrange the schedule. Immediate alternative changes may not be possible and it incurs loss for all the participants in the process. Groups with specific travel limits or individuals being part of such groups may tend to prefer such itinerary-based tours since this also works on cost benefits to them.

Activity 3: Reflective Task

Task: Write a short note on the role of technology in modern itinerary planning.

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Expected Learning Outcome: Development of critical thinking on digital transformation in tourism.

11.5 Keywords

- Itinerary – A detailed plan or route of a journey
- FIT – Free Independent Traveler
- GIT – Group Inclusive Tour

11.6 Self-Assessment Questions

- What kind of basic information is required from the clients for planning an itinerary?
- Briefly discuss the tour itinerary planning?

Self-Assessment Questions**1. Short-Answer Questions (with Answers)**

1. Define itinerary planning.
Answer: Itinerary planning is the systematic process of designing and organising travel routes, schedules, and services for a tour.
2. Mention two stages of itinerary planning.
Answer: Destination selection and scheduling.
3. What is itinerary development?
Answer: It refers to the process of refining and structuring an itinerary to meet operational and customer requirements.
4. State one factor influencing itinerary development.
Answer: Tourist preferences.
5. Mention two benefits of systematic itinerary planning.
Answer: Operational efficiency and enhanced tourist satisfaction.

6. What is the role of technology in itinerary planning?
Answer: It facilitates personalisation, real-time updates, and integration of services.
7. State two challenges in itinerary planning.
Answer: Uncertainty in logistics and changing customer expectations.
8. What is the significance of evaluation in itinerary development?
Answer: It helps in improving itinerary quality and effectiveness.

2. Essay-Type Questions (with Hints)

1. Explain the stages of tour itinerary planning and development.
Hints: Research, design, scheduling, costing, implementation, evaluation.
2. Discuss the factors influencing tour itinerary planning in tourism business.
Hints: Tourist profile, destination characteristics, seasonality, budget, logistics.
3. Analyse the role of technology in itinerary planning and development.
Hints: Digital platforms, AI, data analytics, online travel agencies.
4. Examine the managerial implications of itinerary planning in tour operations.
Hints: Coordination, decision-making, risk management, customer satisfaction.
5. Evaluate the challenges and future trends in itinerary planning.
Hints: Customisation, sustainability, digitalisation, uncertainty management.

3. Analytical MCQs

1. The first stage of itinerary planning is:
A. Costing
B. Market research and analysis
C. Evaluation
D. Implementation
Correct Answer: B
2. A major factor influencing itinerary development is:
A. Corporate logo design
B. Tourist preferences
C. Office furniture
D. Internal politics only
Correct Answer: B
3. Technology in itinerary planning primarily helps in:
A. Eliminating travel services
B. Personalisation and integration of services
C. Increasing paperwork
D. Reducing customer interaction
Correct Answer: B
4. Evaluation in itinerary development is important because it:
A. Stops innovation
B. Improves quality and effectiveness
C. Eliminates planning
D. Reduces customer satisfaction
Correct Answer: B
5. Systematic itinerary planning contributes to:
A. Operational inefficiency
B. Enhanced service quality
C. Increased uncertainty

D. Reduced coordination

Correct Answer: B

Case Study for Self-Assessment

Case Study: Developing an Eco-Tourism Itinerary in Northeast India

Background

A tour operator specialising in eco-tourism planned to develop a new itinerary in Northeast India covering Assam, Meghalaya, and Arunachal Pradesh. The objective was to attract environmentally conscious tourists and promote sustainable tourism.

Problem Situation

The operator faced challenges in balancing environmental conservation with tourist expectations. Limited infrastructure, seasonal constraints, and coordination with local communities affected itinerary development.

Stakeholders Involved

1. Tour operator management
2. Local communities and guides
3. Tourists
4. Government agencies and environmental organisations
5. Transport and accommodation providers

Managerial Issues

- Sustainable planning and resource management
- Coordination with local stakeholders
- Risk management and safety concerns
- Customisation of itineraries
- Cost and logistics management

Relevance to Lesson Concepts

This case illustrates:

- Itinerary planning stages
- Factors influencing itinerary development
- Managerial challenges in itinerary planning
- Role of sustainability in itinerary design

Analytical Questions

1. Identify the key factors influencing the eco-tourism itinerary development.
2. Analyse the challenges faced by the tour operator in itinerary planning.

3. Suggest strategies to balance sustainability and tourist satisfaction.
4. Discuss the role of local communities in itinerary development.
5. Evaluate the effectiveness of systematic itinerary planning in eco-tourism.

11.7 Further Readings

A. Text Books

1. Bhatia, A.K., *Tourism Development: Principles and Practices*, Sterling Publishers, New Delhi, 2006.
2. Holloway, J.C. and Taylor, N., *The Business of Tourism*, Pearson Education, Harlow, 2006.
3. Goeldner, C.R. and Ritchie, J.R.B., *Tourism: Principles, Practices, Philosophies*, Wiley, New York, 2012.
4. Gee, C.Y., Makens, J.C. and Choy, D.J.L., *The Travel Industry*, Van Nostrand Reinhold, New York, 1997.
5. Weaver, D. and Lawton, L., *Tourism Management*, Wiley, Sydney, 2014.
6. Foster, D., *Travel and Tourism Management*, Macmillan, London, 1999.

B. Other References

- [40](#) WTO publications on tour planning and itinerary development
- Ministry of Tourism, Government of India reports
- Industry analyses from [The Hindu](#) and [Economic Times](#)
- [MakeMyTrip](#) and digital travel platform reports

LESSON - 12

TOUR PACKAGES**12.0 Objectives**

After studying this lesson, the learner will be able to:

- Explain the concept and components of tour packages
- Identify different types of tour packages
- Analyse the process of designing tour packages
- Apply pricing and packaging strategies in tour operations
- Evaluate the role of tour packages in tourism marketing and profitability

Structure

12.1 Importance of Package Tours

12.2 Classification of Tour Packages

12.3 Components of Tour Packages

12.4 Significance of Package tours

12.5 Tour Package Design and Selection Process

12.6 Keywords

12.7 Self-Assessment Questions.

12.8 Further Readings.

12.1 Importance Package Tours

The various components of travel, such as accommodation, transportation (air, water, rail, and road), attractions, etc. are combined and sold as a package tour to the tourist by the tour operators and travel agents. A package tour is thus a single product which is planned, organized, combined, and sold as an 'all-inclusive tour' at a specified price by the tour operators.

Package tours are in use since the 1600s. Thomas Bennet organized the first inclusive tour in the year 1821. He set up his business as a tour operator in 1850 and made the first individual tour itinerary and booked the hotel and other arrangements. But the credit for the concept of package tours goes to Thomas Cook. In 1855, Cook planned and organized all the different components of a tour package and sold it as an inclusive tour to the tourists. After

the success of his tour, other travel agents and tour operators also started operating similar tours to other tourist destinations.

Definition - A tour package is a total tourism product that is planned and operated for either independent travellers or for groups, to a single destination or to multiple destinations. It consists of air travel (generally) and land arrangement segments for a specified number of days, with a set of tangible and intangible features for a set price. A package tour is thus a program which is organized for an individual or for group travellers having all the necessary tour ingredients such as accommodation, transportation, sightseeing, and also, if required, guides/escorts, entertainment, etc. Different people have given different definitions, as tour package is a broad concept.

Holloway (1992) defines the tour package as, 'A tour package is a total tourism product as it generally consists of transport from the generating area to the destination, accommodation at the destination and possibly some other recreational or business tourist services.'

'A tour package is an advertised journey including specific features, arranged and promoted with tour literature by a tour operator and paid for in full by the tourists before starting on the tour.' (Gregory 1985).

A package tour is thus a product that is planned, organized, operated, and sold at a set price to individual tourists or groups, to single or multiple destinations, usually involving air travel, accommodation, and land arrangements for the number of days specified.

Some experts have defined package tours based on

1. Destinations and
2. Interests of the tourists

1. Destinations

The destinations are further classified into a single country, area tour, single city tour, and two city tour.

- **Single country package tours** – Organized for only one country, for example, China.
- **Area tour package tours** – Organized for visiting more than one country, belonging to a common area. For example, tours to the South-East Asian countries such as Singapore, Thailand, and Malaysia; and tours to Europe and America.
- **Single city package tours** – Organized for only a single city, for example, Aurangabad, Hyderabad, etc.

- **Two city package tours** – Organized for two cities. For example, Delhi—Agra tour, Jodhpur -Udaipur tour, etc.

2. Interests – Some package tours are designed and organized as per the different needs and interests of the tourists. Tourists may visit certain destinations for different purposes including

- Cultural sites/historical sites such as Taj Mahal, Agra; Lake Palace, Udaipur; and Pushkar Fair, Pushkar
- Special interest tours, for example, rail tours, such as Kalka—Shimla toy train, Palace on Wheels, etc.
- adventure tours designed for adventure activities such as trekking mountaineering, wildlife sanctuaries, hang gliding, paragliding, etc.
- Sports tours, for example, Olympics, golf tours, car racing, cricket, football, etc.

Advantages of package tours are as follows:

- Package tours save time, as the tour operator plans and organizes the travel details with the principal travel suppliers, for the tourist.
- Unnecessary correspondence is also reduced.
- They work out to be cheaper than the other tours.

Disadvantages of package tours are as follows:

- Package tours are planned well in advance and do not have a personal choice of destinations for the tourist.
- The tourist cannot change the itinerary as per his/her choice as it is already preplanned and prepaid.
- Some tourists may not be interested in visiting all the places mentioned in the package tour.

Activity 1: Package Design Task

Task: Design a three-day tour package for heritage tourism in South India, including services and pricing elements.

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Expected Learning Outcome: Ability to integrate multiple services into a tour package.

12.2 Types of Package Tours

Tour operators nowadays offer a wide variety of tour packages as per the needs of the tourists. These are discussed as follows:

➤ **Independent Tours**

Independent tours are specially designed or tailor-made as per the requirements of the individual tourist. Such tours are not published in the company's tour brochure. The travel agent/tour operator combines all the travel and land arrangements and coordinates with the principal suppliers for special or net rates. A mark-up is usually added to the price to cover his/her expenses. Such tours are also known as foreign independent tours (FITs) and domestic independent tours (DITs), depending on the location of the destination of the package tour.

➤ **Inclusive Tours**

For inclusive tours, the tour operator purchases all the different components of the tour package in bulk from the principal suppliers at a special or group rate. The package is advertised and sold to the tourists at an inclusive price by the tour operator. The inclusive tours work out to be cheaper than the independent tours for the tourists, as the tour operator gets it at a group rate. However, the tour members have to travel in a group for the entire tour.

Sometimes tour operators incur a loss for inclusive tours if they are unable to sell the required seats and rooms, which are usually purchased one year in advance from the suppliers.

➤ **Escorted Tours**

The tours which include the tour escorts or group leaders are known as escorted tours. The tour escort is present right from the commencement of the journey upto the return of the tour. The tour escort assists the travellers throughout the entire tour. His/her function is to receive the tour members at the airport/railway station and help them through customs clearance and other airport formalities both at the time of arrival and departure. Such tours are also known as conducted tours or hosted tours.

➤ **Business Tours**

The business tours are specially designed and packaged as per the requirements of the clients. People travel for business for various reasons and for varying durations. The tour operator arranges the accommodation, facilities/services required, transport, and sightseeing as per the schedule of the business visit. Some tour operators also arrange conference tours and incentive tours.

Conference tours require special skills, as special arrangements have to be made for such tours. The tour operator has to look after the conference arrangements right from the initial stage of organizing, selecting the venue, marketing the conference, booking of accommodation and transport, secretarial services, conference equipments, conference facilitation such as registrations, interpreters, special events, entertainment, local sightseeing, and other facilities.

More recently, incentive tours have also appeared and companies are offering incentives to their dealers or employees in the form of additional payments, gifts, or some kind of a holiday. The incentive tours are very popular and are usually of shorter duration. Such tours are a motivational factor for the employees and the dealers. The tour operators have to pay attention to details such as the size of the group, the cuisine preferred, gifts, theme parties, baggage handling, etc. The size of the group for incentive tours varies from one company to another.

12.3 Components of a Package Tour

A package tour consists of the following components/elements:

- Accommodation
- Travel by airline/railway
- Transfers to and from airport/railway, and hotels
- Sightseeing
- Guide/escort

The above components can be broadly classified into **two parts**:

- Travel arrangements
- Ground/land arrangements

Travel arrangements – Travel is related mainly to the air transportation in the tour itinerary. The tour operator negotiates with the airlines for group bookings and also bulk purchases, and combines it with the land arrangements to sell it as a package tour. Some tour operators

also coordinate with air charters, which work out to be cheaper than the regular scheduled airlines. Air travel is one of the core elements for the inbound and outbound tour packages.

Ground/land arrangements – It includes the transfers, i.e. pick-up and drops from the airport/railway station and the hotel, accommodation meals, car/coach for sightseeing, guides/tour escorts, entertainment, shopping, and other special requirements or services for the tourist. Ground arrangements are looked after by the ground handlers.

Ground handlers are agents that work on behalf of international and domestic tour operators, travel agents, and principals. They look after all ground arrangements, once the tourists reach the destination, such as transfers from the airport to the hotel, booking of hotel, car rentals, excursions, entry tickets for attractions and activities, restaurant bookings, shopping, etc. The tour operators coordinate and negotiate with the hotels and transport operators for discounts or special rates.

Case Study

Introductory Case Study: Innovative Tour Packages of IRCTC Tourism

Background of the Organisation

IRCTC Tourism, a subsidiary of Indian Railways, has emerged as a major tour operator offering a wide range of tour packages across India and abroad. Its portfolio includes pilgrimage tours, luxury train journeys, domestic leisure tours, and international holiday packages. By integrating rail transport with accommodation, sightseeing, and ancillary services, IRCTC Tourism has created comprehensive tour packages tailored to diverse customer segments.

Contextual Trigger

With increasing competition from private tour operators and online travel agencies, IRCTC Tourism faced the challenge of designing attractive and affordable tour packages. Customers demanded convenience, value for money, and seamless travel experiences. To meet these expectations, IRCTC Tourism adopted innovative packaging strategies, including theme-based tours, dynamic pricing, and digital booking platforms.

Stakeholders Involved

1. IRCTC management and tourism planners
2. Tourists and travel agents
3. Railways, hotels, and transport providers
4. Government authorities and tourism departments
5. Local communities and service providers

Managerial and Behavioural Issues

- Integration of multiple services into a single package

- Balancing cost efficiency with service quality
- Understanding customer preferences
- Pricing and profitability management
- Coordination among stakeholders

Importance of the Case for the Lesson

This case highlights the strategic role of tour packages in tourism business. It demonstrates how effective packaging enhances customer satisfaction, operational efficiency, and competitive advantage.

Linkage to Lesson Concepts

The case relates to:

- Concept and components of tour packages
- Types and classification of tour packages
- Package design and pricing strategies
- Marketing significance of tour packages

Activity 2: Analytical Task

Task: Compare a group tour package and a customised tour package in terms of cost, flexibility, and customer value.

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Expected Learning Outcome: Understanding of strategic differences in tour packages.

12.4 Significances of Tour Package

The Tour package is beneficial to travel companies, travelers, destinations, and other organizations which are directly or indirectly involved in the tourism business. The main benefits are:

- Time Saver
- Increase the seasonality of a destination cost/price
- Earn foreign currency

- Better quality of products professional services
- Wide-variety of the tour package

12.5 Tour Package Design and Selection Process

The quality of a package tour is entirely based on the above factors. Essentially, to design/formulate a travel product, the tour manager has to take the biggest responsibility, intuitiveness, imagination, and innovation coupled with a lot of business activities which range from finding new exotic destinations and planning, organizing, or promoting such tour. The following are the main stages in the tour design and selection process:

1. Initial Research

(i) The Destination Research

The decision to develop and formulate a new package is a multi-stage process that involves various positive and negative points/steps. Normally, the idea for a new product comes either from the tour executive within the company due to a review of the questionnaire completed by the previous tour members because of the political, economic, and social development in a particular area.

When a tour manager sees that a large number of old clients are interested in taking a trip to particular destinations, naturally, those destinations become the nucleus of a new 'tour concept'.

(ii) Market Research

Since the tour package is a complete tourism product, obviously, before formulating/designing this product, market research needs to be analyzed and assessed in a systematic manner. Market research provides us the answer to the following questions:

- What is the size of the tourism market?
- Who are the existing clients?
- Where do they live?
- Who will be their potential buyers?
- Who are their competitors – their strategy and area of business leisure?
- How many tourists do want to cater to?
- What price will the clients accept?
- What facilities are available and required?
- What are the constraints viz., license, permission, finance, restrictions, taxes, and others?

Once we know the basic components of the package tour, distribution channels, market conditions, constraints in the tourism market, we can develop the marketing strategy. It enables the smooth functioning of the agency and also offers a clear picture of the tour program. Practically, market research is conducted by private tour companies/ private tourism enterprises in order to penetrate the market.

2. Itinerary Preparation

By itinerary one means the designing of a program which one wants to sell and it includes destinations, stopping points, number of days, and the travel services that are to be included in the program. Whether it is a lean season or an offseason, escorted or not escorted, consumer-oriented or readymade tour program, the itinerary is prepared to identify the origin, destinations, stopping points, accommodations, sightseeing, and other travel services on travelers' trips.

3. Handling Agency or Destination Company

The appointment of a handling agency not only ensures excellent travel services to the tourist but also makes the operation smooth and profitable. It is a matter of great significance as the success of the travel business largely depends upon the clients are actually taken care of during the tour. It is a positive match between the promised services and a tourist's actual experiences or feelings. Thus, the tour operator should consider the experience of handling a travel agency in the business, the area of operation, reputation, credibility, professional staff, credit facilities, and the competitive price in appointing a handling agency.

4. Negotiation

It is another important management decision area in tour designing and planning. Once the decision has been made regarding the destinations concerning their date, duration, and the number of clients to be carried during the trip, the tour management starts negotiations with the principals' suppliers for a normal contract.

Negotiation means talk between the travel companies and the principal suppliers for the terms, conditions, and prices of the components of a tour package. When both parties are satisfied, it leads to a formal or informal contract between them. The tour company negotiates with the following tour vendors/suppliers:

- Airlines
- Accommodation
- Transport Operations- Rail and Road
- Ground Operators

- Cruise Companies
- Car Rental Companies
- The overseas representatives
- Ancillary Service Organizations

5. Coasting and Pricing a Package Tour

The cost of a package tour encompasses the air ticket, the hotel room, car rental, entertainment charges, administrative costs, promotional costs, and other travel services. The confidential tariff helps the travel company in preparing the cost sheet which will enable the concern to determine its price strategy.

Tour pricing is a big factor in the success of the company's tour program. The price of a package tour is, whether it is an escorted, independent, or hosted tour, often lower than the combined costs of the same components purchased separately from the principals. However, the purchase price of a travel product is based on three factors: Cost, competition, and demand. Every tour package sold by a vendor has a quantifiable cost. To produce profit the price paid by the tourists must be greater than the agency's cost.

6. Tour Brochure

The tour package is an intangible product that has to be purchased by the tourists/clients without inspection and sometimes even without adequate knowledge. In these circumstances, the brochure becomes the principal instrument to perform the major tasks to inform the clients about the products and to pursue them to purchase them.

Designing, printing, and distributing tour brochures require the necessary skills and knowledge about the components of the tour package. Basically, in the era of specialization and intense competition, a tour brochure creates awareness and describes the holiday program.

Thus, tour management should consider various pros and cons while preparing a tour brochure. A brochure should contain the following information:

- Name of the Travel Company
- Means of transport
- Details about destinations
- Itinerary
- Accommodation, types, location, meals
- Name of the overseas representative
- Duration of each tour
- Booking, reservation, and cancellation conditions

- Details of other services – insurance, currency, entertainment
- Travel documents required
- Details of price

7. Development of Reservation System

The next step in the tour formulation process is the reservation system. The agency management in order to put a package into operation must develop and implement a scientific reservation system. The system depends on whether the reservation is to be handled manually or with a computer working on the distribution method. Whatever method the agency may adopt, the agency management should always keep in mind the sole objective of the reservation system.

8. Marketing of Tour Package

Once a tour package is ready, travel agency management has to make a careful decision regarding the promotion and marketing of the particular package tour. The basic objective of management is to make a tour package widely known to make it more and more attractive.

To achieve these objectives, the management must consider the budget available, promotion mix, potential market, easiest and most effective media, campaigning through the international, regional, or the public/private sector, etc.

The promotion of a package tour means increasing its sales potential and creating an awareness of the existing and potential markets. The following methods are commonly used to promote package tours:

- Middlemen – Retail Travel Agents, GSA, consolidators
- Familiarization tours
- Building Brand Loyalty
- Encouraging Potential Buyers
- Competitive Market
- Courier

9. Tour Handling/Actual Tour Operation

After a successful marketing and achieving target sales, the next and final step in the process of tour designing is tour handling. It means an actual operation of tours, which generally includes administrative work and passenger handling like maintaining reservations, handling deposits, sending advice to ground operators, arranging travel representation, analyzing the feedback received from clients/escorts/ground operators, and so on.

All this is not an easy task. At every stage, one has to face different types of queries and problems due to a lack of coordination and communication.

Activity 3: Reflective Task

Task: Write a short note on how tour packages influence tourist decision-making.

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Expected Learning Outcome: Development of analytical thinking on tourism marketing.

12.6 Keywords

- **Package** – A Combination of travel-related services such as air transportation, accommodation, car rental, etc.
- **Travel agent** – An intermediary between the principals and the customer who sells travel services and provides travel-related information.

12.7 Self-Assessment Questions

- Write the Importance Package Tours?
- What are the different kinds of Package tours?
- Explain the Package Design and Selection Process?

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. Define a **tour** package.
Answer: A tour package is a combination of travel-related services offered as a single product at an inclusive price.
2. Mention two components of a tour package.
Answer: Transport and accommodation.
3. What is a theme-based tour package?
Answer: A package designed around a specific theme such as pilgrimage, adventure, or heritage.
4. State one objective of tour packaging.
Answer: To provide convenience and value to tourists.

5. Mention two types of tour packages.
Answer: Domestic packages and international packages.
 6. What is the role of pricing in tour packages?
Answer: Pricing determines profitability and competitiveness of the package.
 7. State two benefits of tour packages for tour operators.
Answer: Economies of scale and improved marketability.
 8. What is FIT package?
Answer: Free Independent Traveller package designed for individual tourists.
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2. Essay-Type Questions (with Hints)

1. Explain the concept and components of tour packages.
Hints: Definition, elements, integration of services, examples.
2. Discuss the process of designing and developing tour packages.
Hints: Market research, product design, costing, pricing, promotion.
3. Analyse the significance of tour packages in tourism marketing.
Hints: Customer convenience, branding, competitiveness, profitability.
4. Examine different types of tour packages with suitable examples.
Hints: Domestic, international, group, FIT, theme-based.
5. Evaluate the challenges in tour package development and management.
Hints: Cost control, coordination, demand uncertainty, competition.

3. Analytical MCQs

1. A tour package primarily consists of:
A. Only transport services
B. A combination of travel-related services
C. Only accommodation services
D. Only sightseeing services
Correct Answer: B
2. Theme-based tour packages are designed to:
A. Reduce travel demand
B. Focus on specific tourist interests
C. Eliminate marketing strategies
D. Increase operational complexity only
Correct Answer: B
3. The first stage in tour package development is:
A. Promotion
B. Market research
C. Pricing
D. Evaluation
Correct Answer: B
4. FIT packages are meant for:
A. Large groups only
B. Individual tourists
C. Airlines only

D. Government officials

Correct Answer: B

5. Tour packaging helps tour operators to:

A. Reduce customer satisfaction

B. Enhance profitability and competitiveness

C. Eliminate service integration

D. Increase uncertainty

Correct Answer: B

Case Study for Self-Assessment

Case Study: Development of a Sustainable Adventure Tour Package

Background

A private tour operator in Himachal Pradesh planned to introduce an adventure tourism package combining trekking, camping, and cultural experiences. The objective was to attract young travellers and promote sustainable tourism.

Problem Situation

The operator faced challenges in designing a package that balanced adventure activities with safety, environmental sustainability, and affordability. Coordination with local communities and service providers was critical.

Stakeholders Involved

1. Tour operator management
2. Adventure guides and instructors
3. Tourists
4. Local communities and environmental groups
5. Transport and accommodation providers

Managerial Issues

- Risk management and safety planning
- Sustainable resource utilisation
- Pricing and cost management
- Coordination with stakeholders
- Marketing and positioning of the package

Relevance to Lesson Concepts

This case illustrates:

- Tour package design and development
- Integration of services
- Challenges in tour packaging
- Role of sustainability in tourism products

Analytical Questions

1. Identify the key components of the adventure tour package.
2. Analyse the challenges faced in designing the package.
3. Suggest strategies to ensure safety and sustainability in the tour package.
4. Discuss the role of local communities in tour package development.
5. Evaluate the importance of innovative tour packages in tourism business growth.

12.8 Further Readings**A. Text Books**

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- [IRCTC Tourism](#) official publications
- [Industry](#) analyses from The Hindu and Economic Times

LESSON - 13

CONCEPT OF TOUR COSTING

3

13.0 Objectives

After studying this lesson, the learner will be able to:

- Explain the concept and importance of tour costing
- Identify components and elements of tour cost
- Analyse methods of tour costing in tour operations
- Apply costing techniques in tour package preparation
- Evaluate the impact of tour costing on pricing and profitability

Structure

13.1 Costing of Tour

13.2 Types of Cost

13.3 Components of tour Cost

13.4 Preparation of cost sheet

13.5 Tour Pricing & Pricing strategies

13.6 Keywords

13.7 Self-Assessment Questions.

13.8 Further Readings.

13.1 Costing of Tour

Costing each element of a package tour is painstaking work for a tour operator while developing a new package tour. Calculation of costs of package services determines the price of package tours and it helps in a garbing new market. Many tour operators minimize the cost of preparing package tours that helps them maximize profits. Reduction of unwanted costs and negotiation with primary service providers for special rates largely help tour operators make profits and pass on certain benefits to the customers or clients.

It is essential to include each element of cost that directly and indirectly determine the final price tag of a particular package tour. Including research and development costs as an indirect cost also determines the price of the package tour. Similarly, marketing and publicity are two important costs that a tour operator includes as indirect costs.

Besides understanding and including each element of cost, developing a methodical cost sheet is an important work of a tour operator to bring each implicit and explicit cost into the calculation of total costs of the package tour.

13.2 Types of Costs

Fixed and Variable Costs

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

Variable costs change in the short-run as well as in the long run also. It varies as per the variation of the sale of package tours. The table presents the difference between fixed and variable costs pertaining to the various activities.

Various Components of Cost

The cost for developing a package tour decides the final price of the package. The sale of the package tour is a direct function of direct or indirect costs or fixed and variable costs. The tour cost is explained as the sum total of the cost incurred to combine related and complimentary services. For example, SOTC as a tour wholesaler examines the affordability of potential customers and various cost components.

Profit margin is added after due consideration of purchasing power of buyers and costs involved in designing the package tours. Furthermore, market demand determines the cost of tour packages and tour operators make all possible ways to make the services arranged at a very negotiable rate with the principal service providers. There is a usual variation of doing the calculation of costs from one tour operator to another. These are the following variable costs apart from the fixed costs.

Activity 1: Cost Calculation Task

Task: Calculate the estimated cost of a two-day tour package for 20 tourists, considering transport, accommodation, and meals.

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Expected Learning Outcome: Ability to apply tour costing concepts.

13.3 Components of tour Cost

After planning the itinerary, the next important thing is to calculate the tour cost of the itinerary. For the costing, the essential requirements are the tariff details of the hotel, meals, airline/train, ground transport cost which can be a car or coach depending on the group size of the passengers' if any guide/escort has been taken into account, or any extra services such as camel ride, elephant ride, entertainment, etc: The entire cost of the travel is then shared between the number of passengers travelling together to find out the per person tour cost on twin sharing or triple sharing basis by the travel agent.

For any kind of tour whether it is a pre-packaged tour or a specially designed tour, the tour planner has to keep some profit for the travel agent. The tour planner has to consider the currency rates and fluctuations for the convenience of the tourists. Because if the dollar drops against major foreign currencies, it may deter the tourists who travel for shopping and other reasons from undertaking the tour. The tour planner can always suggest to their clients how they could utilize their free time or leisure time and give information on restaurants and entertainment. The tour price quoted to passengers has to be competitive in the market, and if the cost is higher than the price of other competitors, it should be justifiable.

The standard items which are included in the costing of a tour are

- cost of accommodations (Hotel)
- cost of meals
- cost of transportation (air/rail/road/water)
- entrance fees, local guides, portorage (transfer of luggage by airport, railway, hotel porters), and airport taxes
- miscellaneous fees such as entertainment or any extra service to be provided to the client
- mark up

Hotel

The travel agent should be aware of the various hotels available at the tourist destinations. He/she should keep himself/herself updated on the different categories of hotels, types of rooms, tariff plans, extra bed 'charges, taxes, meal rates, etc. There are different tariff plans as per the season i.e. regular, season, off-season, and weekend tariff. Some hotels offer special rates to corporates. Discounted rates are given to groups depending on the size of the group.

After determining the route of the itinerary the travel agent's next important task is to contact the hotels at the destinations to check the availability of rooms for the anticipated number of guests. The tour planner should know the exact number of people travelling, so as to calculate the cost of the accommodation.

For example, there are 14 people travelling to Rajasthan for eight days. The travel agent contacts the hotel for the best possible and competitive rate. The hotel offers the travel agent a net price of 1800 for a double room on the continental plan (i.e., room & breakfast). The travel agent may contact the chain hotels, for Taj, Oberoi, etc., and use only their hotels or the hotels with which contact and good relationship. The travel agent has to also consider the local facilities offered at the hotel for the tour. The hotel may give the net price on an individual basis, i.e. per person rate or on a room basis. When the net price is given on a room basis, the cost per person has to be calculated by dividing the room cost by the number of occupants. For example, for two people staying in one double room, Rs. 900 will be the per-person cost. If a third person is sharing the room, i.e. triple occupancy then the cost of an extra bed is added to the cost of the double room. For example, Rs 300 (extra bed) + Rs 1800 (Double room) = Rs 2100. This figure is divided by 3. Thus, the cost per person will be Rs 700 on triple occupancy.

Meals

Some hotels usually, give a net rate, which is inclusive of all meals for large groups. Some have the tariff inclusive of meals, for example, only breakfast, i.e. continental plan (CP), or breakfast and any one meal i.e. modified American plan (MAP), or all meals—American plan (AP), or it can be only room and no meals European plan (EP). The hotels may also publish their meal plans along with the room tariff in their brochure. If the meal plan is not included in the tariff the guest can have meals as per the 'a la carte' menu and pay their own bills. The travel agents usually do not include lunch in the tour cost as the guest might be out for sightseeing. Many tourists prefer a light lunch or may like to choose their own restaurants. While doing the costing, the meal cost also has to be taken into account as per the requirement of the guest.

Airlines

Knowledge of different airlines along with the airfares, air schedules, in-flight services, meals, different classes, taxes, etc. are important for the travel agent. The tour cost may include the airfares for different sectors as required in the itinerary or it can be given separately as an airfare supplement per person.

Railways

The travel agent should also be familiar with the train names, routes, schedules, and fares of major trains for well-known tourist destinations. The Indian Railways nowadays allow passengers to make reservations ninety days prior to their date of travel. If there are any train journeys in the itinerary the cost can be given as a separate supplement or it may be included in the tour cost.

Road Transport

Road transport is essential to reach the destination from the airport/ railway station to have the pick-up and drop facility to the hotel, visiting the places of attractions, or for sightseeing at the destination. The tour professional should know the approximate time it has taken to reach the next tourist destination and for visiting places of attractions. The exact kilometers to be covered and the average time was taken are important while planning the itinerary. The distance has to be calculated with accuracy considering the journey and the local terrain of that area. For example, a plain area can be covered at an average speed of 40 kilometers per hour while a hilly area might be covered at a speed of 20-25 kilometers per hour depending on the vehicle used for travelling and the road condition.

If the tour planner schedules an eight-hour road journey between Delhi and Shimla, he/she will have to make sure that the clients arrive in time for meals. He/she will also have to check whether it is certain that the time taken will be exact considering the stops en route for tea, lunch, or en route sightseeing and shopping. The tour planner should not plan a hectic schedule for the passengers. Too much travel on a single day should be avoided. The limitations of passenger endurance should be kept in mind while planning the tour itinerary. The tour should be well-paced so that travellers are not continuously pushed and tired while sightseeing.

For calculating the cost of the vehicle for the entire tour the travel agent has to contact the supplier, i.e. the transport operator. For example, if the travel agent is based in Mumbai and he/she contacts his/her transport agent at Jaipur to give him/her the best competitive rate for a 14-seater minibus for an eight days tour, which comprises two nights at Jaipur, two nights at Jodhpur, two nights at Jaisalmer, two nights at Jodhpur, and one night at Udaipur. The transporter gives a net rate of Rs 20,000 for the entire eight days inclusive of the driver's charges, parking, toll taxes, etc. The average number of kilometers covered in a day is 300 kilometers. Thus, the client has to pay for the extra kilometers or other sightseeing, which may be Rs 13 per kilometer for a non-AC minibus and Rs 16 for an AC vehicle.

Cruises

Many tour operators sell cruise packages of three to five days and more. Tourists nowadays are also opting for cruise holidays. The tour professionals should therefore be updated on the different categories of rooms, cabins, onboard facilities; tariffs, and other details associated with cruises. The travel agent can give the cost of the cruise as a supplement cost.

Local Guide/Escort

In India, there are English-speaking and foreign language speaking licensed guides provided by the India Tourism offices. Similarly, there are local guides who are also authorized to explain the monuments or other sightseeing places. The travel agent should have a list of approved guides with their contact numbers and address available at the tourist destinations. The fee charged by the guides are for half-day and full-day and also night charges if any. The travel agent thus while doing the costing of the tour has to include the guide charges as applicable. Escorts are provided by the tour operator for the entire tour. For finding the per-person cost, the total guide charges have to be divided by the number of people travelling. The expenses of the tour escort have also to be added to the tour cost.

Miscellaneous

If any entertainment has to be provided to the group, for example, a cultural show in the evening at the hotel or a desert safari with some touch of culture and entertainment, then the cost of this should also be included in the tour cost. The charges for portorage may or may not be included in the tour cost. It can be given as a supplement charge also depending on the preference of the tourist. There may be other costs also, such as airport taxes, toll taxes, entrance fees for places of attractions including museums, historical forts, palaces, churches, etc., and similar other charges. These costs can be given as supplement costs.

Activity 2: Analytical Task

Task: Identify fixed and variable costs in a tour operation business.

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Expected Learning Outcome: Understanding of cost classification in tourism.

Mark Up

Finally, the mark up³⁹ which is the main source of income for the travel agent has to be added to the per-person cost of the tour to get the final tour cost. The mark-up may vary from one travel agent to another.

Everybody in business wants to make a profit. The travel agents'⁷ main source of income is the commission that they receive from their various service providers, i.e. airlines, hotels, transport operators, etc. Hotels and transporters normally give a 10 percent commission to the travel agents. The range of commission depends on the volume of business, which the travel agents give to these service providers. This commission is sometimes further shared by the sub travel agents also. The travel agents have to also bear the costs of office rent, salary of employees, electricity, telephone bills, Internet, etc. The amount of commission that the travel agents get is very low and inadequate for the agency to survive. Thus, in order to earn a profit¹⁷ the travel agents and tour operators add a mark up to the total cost of the tour before quoting it to the client. The mark-up is the extra amount, which the travel agents can keep as their income. Some travel agents refer to it as service charges also. The mark-up should not be too high as the business may be lost to the competitor and at the same time, it should not be too low. The amount added to the tour cost as mark-up is usually decided by the seniors or the management of the travel agency. The mark-up is usually expressed as a percentage of the total cost price and ranges from seven to 15 percent⁴⁴. Many travel agents, tour operators, airlines, etc. while working on the cost of package tours negotiate with the suppliers such as hotels for discounted rates if they are able to give more business to the hotel. During the off-season, many hotels offer discounted rates. In this way, the travel agents' margin can be increased without increasing the price at which they sell to the clients.

While working at the travel desk and preparing itineraries and calculating the tour cost, the tour professional should be aware of the technical terms such as net rate and gross rate.

Net rate

It is the price which is charged by the supplier and has to be paid by the travel agent to the supplier. The travel agent is free to add any amount of mark up to it before quoting it to the client. This net rate is confidential between the supplier and the travel agent. The client should not have any idea of the extent of the mark-up. The supplier can give different rates to different travel agents depending on the volume of business and personal relations.

Gross rate

It is quoted by the supplier to the travel agent and includes commission (expressed as a percentage of the gross rate). The commission differs from supplier to supplier on the amount of business the travel agent gives to the supplier. Normally, hotels give a 10 percent commission to the travel agent.

Profit

It is not similar to mark up. It is the amount that the travel agent gets at the end of the tour after paying the bills to the suppliers. Profit usually includes the commission earned from the suppliers with mark-up added to it. Profit is also calculated on yearly basis.

Margin

It is similar to mark up in some ways. Mark up is expressed as a percentage whereas margin is the amount expressed in money.

Case Study

Introductory Case Study: Costing Challenges in Group Tour Operations by Cox & Kings India

Background of the Organisation

Cox & Kings, one of India's oldest travel companies, has long been known for organising domestic and international group tours. The company designs tour packages that integrate transport, accommodation, meals, sightseeing, and guiding services. Accurate tour costing has always been critical to its business model because even minor miscalculations can significantly affect profitability in large group tours.

Contextual Trigger

In a recent domestic group tour programme, Cox & Kings faced unexpected cost overruns due to fluctuations in fuel prices, hotel tariff changes, and currency variations. Although the tour was popular among customers, the company experienced reduced profit margins. This situation highlighted the importance of systematic tour costing and risk-adjusted pricing in tour operations.

Stakeholders Involved

1. Tour operator management and finance team
2. Tour planners and operational staff
3. Tourists and travel agents
4. Service providers (hotels, transport operators, guides)
5. Financial institutions and regulatory authorities

Managerial and Behavioural Issues

- Forecasting and controlling tour costs
- Managing uncertainties in operational expenses
- Coordination with service providers for cost optimisation
- Balancing affordability with profitability
- Decision-making under financial risk

Importance of the Case for the Lesson

This case demonstrates how tour costing directly influences the financial performance of tour operators. It emphasises the need for systematic costing methods to ensure sustainable profitability in tour operations.

Linkage to Lesson Concepts

The case relates to:

- Concept and components of tour costing
- Methods of tour costing
- Cost control and risk management
- Relationship between costing and pricing

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13.4 Preparation of cost sheet

A **Cost sheet** is a document, that reflects the total cost of the items and services required by a particular tour. This cost sheet is useful to know each cost in the tour.

Cost sheet

Passenger Details	Day	Date	Tourist Place	Hotel Details/ s/	Transportation Details Bus/Trains/Airline/ Cruise Line Fare	Food Details	Agent Commission	Miscellaneous Charges
	Day			SGL/	AC	AP		

	-1			DBL/ TRPL	NON-AC TRSF	MAP EP CP B&B		
	Day -2							
	Day -3							
	Day -4							
	Day -5							

Abbreviations –

SGL – Single Room

DBL – Double Room

TRPL – Triple Room

TRSF – Transfers

AC – Air-Conditioned

AP – American Plan

MAP – Modified American Plan

EP – European plan

CP – Continental Plan

B & B Plan – Bed & Breakfast Plan

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Tour cost includes

- Accommodation as per plan.
- All inter transfer & sightseeing as per Itinerary by Suitable NON AC Vehicle.
- Newspaper and bottled water on arrival.
- Toll taxes
- Guide Charges
- Assistance on arrival.

Tour cost does not include

- Airfare, Train Fare, Insurance Premium, etc.
- Entry Fee to Any Monument, Park, Museum, Monastery, or any other visiting places.
- Payment for service provided on a personal basis
- Expenses incurred due to mishaps, landslides, strikes, political unrest, etc. in such cases, extra will be charged as per actual
- Personal expenses on items such as Laundry, Soft & Hard Drinks, Bottle Water, Porterage, and Bell-Boy charges, Tips, etc.

13.5 Tour Pricing & Pricing strategies

Price setting for tour operators requires a strong mix of marketing strategy and financial analysis. The people, accommodation, and components that make up the experience/holiday you provide can be incredibly diverse and pricing strategies often evolve as a tour operator develops its brand and market share.

Pricing Strategies**Mark up pricing strategy**

Set the prices of your holidays, tours, and activities to ensure that you make a profit on each sale. Identify all of the costs associated with running your business which includes the time spent developing and promoting a holiday or experience.

The fixed costs include rent, building maintenance, machinery, and insurances. Variable costs include wages, energy, repairs, petrol, uniforms, bank fees, promotional and travel costs.

Mark Down Pricing Strategy

A markdown pricing strategy requires tour operators to mark down their prices in order to remain competitive. It's ideal during slower months. It might even mean you generate more bookings than you would have without this promotional discount – and thus earn more income.

Packages pricing

Tourists are increasingly turning to “packages” to meet all of their holiday needs - hotel, airfare, transfers, tours, and activities all for one inclusive price. Developing packages with complementary tourism partners is a good way to stimulate demand and add value without having to discount. Packages can also be used to target niche markets effectively, e.g. golfing holidays, food and wine tasting, beauty and relaxation, etc.

Tourists can use “disguised pricing” which hides the exact cost of individual components and also the extent of discount provided by contributing operators.

“Visible pricing” gives your clients the flexibility to select their preferred package components according to their travel preferences and budget.

Rack Rate

All tourism businesses should have a rack rate, an official rate before any discounts are applied. These are the “brochure” prices printed in advance of the coming season. The rack rate for activity and attraction operators is more likely to remain the same during a peak holiday season without any day-to-day discounting. However, accommodation providers will be changing their rack rate almost daily to reach capacity.

Seasonal Pricing

Seasonal pricing is a different price level throughout the year to cover low and high seasons. These are usually the same date periods each year and apply for school holidays, public holidays, or local events where the dates vary each year.

Last-Minute Pricing

A common pricing strategy for accommodation suppliers and tour operators to fill any last-minute gaps. It involves discounting prices according to take-up which is then promoted on last-minute booking websites.

Discounting

Discounts are often applied in the offseason or to assist with yield management but be selective in their implementation because it could become a fast route to reducing your profitability.

With last-minute price deals, just select those where you really need more takers. Consider adding conditions to a discounted price like a minimum stay or number of travellers in the booking.

Tourists do become used to discounted prices and you, therefore, run the risk of not only making it harder to charge your normal rates, but it will also devalue your product.

Common Pricing Types

- **Per Person pricing** - is a set price per person, commonly used by activity/attraction and transport operators, accommodation providers, and campsites. Options may include an adult, child, and senior citizen price.
- **Per Unit pricing** - is a set price for 1 unit of the product, e.g. price per night. Usually, the advertised price is for 2 adults or 2 + child rate.
- **Single or double occupancy** - is common for B&B's, there is a single rate and a double rate (which is not double that of the single rate)

Activity 3: Reflective Task

Task: Write a short note on how inaccurate costing affects tour operators.

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Expected Learning Outcome: Development of financial and managerial reasoning.

13.6 Keywords

- **Tour cost** – Tour Cost means the total cost incurred or attributed to a tour product or service.
- **Pricing Strategy-** Pricing strategy is a tool used to fix the price of a particular product or service by considering various factors like the consumption of resources, Market conditions, the ability of customers, demand and supply, need of the product like regular item or occasional, etc.

13.7 Self-Assessment Questions.

- Briefly discuss the significance of tour cost?
- Explain the various components of Tour cost?
- Explain the different types of Pricing strategies used in the tour cost?

Self-Assessment Questions**1. Short-Answer Questions (with Answers)**

1. Define tour costing.
Answer: Tour costing is the process of estimating and calculating the total expenses involved in organising a tour.
2. Mention two components of tour cost.
Answer: Transport cost and accommodation cost.
3. What is fixed cost in tour operations?
Answer: Costs that remain constant regardless of the number of tourists, such as office rent.
4. What is variable cost in tour operations?
Answer: Costs that vary with the number of tourists, such as food expenses.
5. State one objective of tour costing.
Answer: To ensure profitability of tour packages.
6. Mention two factors affecting tour cost.
Answer: Fuel prices and seasonal demand.
7. What is markup in tour costing?
Answer: The additional amount added to cost to determine selling price.
8. State two benefits of systematic tour costing.
Answer: Cost control and competitive pricing.

2. Essay-Type Questions (with Hints)

1. Explain the concept and importance of tour costing in tourism business.
Hints: Definition, objectives, financial sustainability, competitiveness.
2. Discuss the components and classification of tour costs.
Hints: Fixed vs variable, direct vs indirect, operational vs administrative.
3. Analyse different methods of tour costing used by tour operators.
Hints: Incremental costing, standard costing, activity-based costing.
4. Examine the relationship between tour costing and pricing strategies.
Hints: Cost-plus pricing, demand-based pricing, competition.
5. Evaluate the challenges in tour costing and suggest solutions.
Hints: Uncertainty, fluctuations, forecasting, risk management.

3. Analytical MCQs

1. Tour costing primarily aims to:
 - A. Increase operational complexity
 - B. Estimate total expenses of a tour
 - C. Reduce tourism demand
 - D. Eliminate service providers**Correct Answer:** B
2. Variable costs in tour operations are those that:
 - A. Remain constant
 - B. Change with the number of tourists
 - C. Are unrelated to tours

D. Are fixed annually

Correct Answer: B

3. Markup in tour costing refers to:

A. Reduction in cost

B. Addition to cost to determine selling price

C. Elimination of profit

D. Government tax

Correct Answer: B

4. Fixed costs in tour operations include:

A. Food expenses

B. Fuel charges

C. Office rent

D. Sightseeing fees

Correct Answer: C

5. Systematic tour costing helps in:

A. Increasing financial risk

B. Ensuring profitability and competitiveness

C. Eliminating planning

D. Reducing customer satisfaction

Correct Answer: B

Case Study for Self-Assessment

Case Study: Pricing Dilemma in an International Tour Package

Background

A tour operator in Delhi launched an international tour package to Southeast Asia. The package included airfare, accommodation, meals, and sightseeing. The company aimed to attract middle-income customers by offering competitive prices.

Problem Situation

Due to inaccurate cost estimation and sudden currency fluctuations, the actual expenses exceeded the estimated tour cost. The company faced losses and reputational risk.

Stakeholders Involved

1. Tour operator management
2. Tour planners and finance team
3. Tourists
4. Airlines, hotels, and foreign partners
5. Financial institutions

Managerial Issues

- Forecasting currency and price fluctuations
- Designing risk-adjusted costing models
- Balancing affordability with profitability
- Financial planning and control

- Strategic pricing decisions

Relevance to Lesson Concepts

This case illustrates:

- Importance of accurate tour costing
- Relationship between costing and pricing
- Financial risks in tour operations
- Managerial decision-making in tour costing

Analytical Questions

1. Identify the major cost components in the international tour package.
2. Analyse the reasons for cost overruns in the tour.
3. Suggest strategies to improve accuracy in tour costing.
4. Discuss the role of contingency planning in tour costing.
5. Evaluate the impact of inaccurate tour costing on tour operators.

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6. Foster, D., *Travel and Tourism Management*, Macmillan, London, 1999.

B. Other References

- [46](#) WTO publications on tourism economics and costing
- Ministry of Tourism, Government of India reports
- Industry analyses from [The Hindu](#) and [Economic Times](#)
- Financial management studies in tourism sector

LESSON - 14

TOUR PACKAGES OF THOMAS COOK, COX & KINGS, SOTC**14.0 Objectives**

After studying this lesson, the learner will be able to:

- Explain the characteristics of tour packages offered by major tour operators
- Identify the product portfolios of Thomas Cook, Cox & Kings, and SOTC
- Analyse strategic differences in tour packages of leading tour companies
- Apply comparative analysis to evaluate tour package design
- Evaluate the role of branded tour packages in tourism business development

Structure

- 14.1 Thomas Cook – Tour Packages
- 14.2 Cox & Kings – Tour Packages
- 14.3 SOTC – Tour Packages
- 14.4 Keywords
- 14.5 Self-Assessment Questions
- 14.6 Further Readings.

14.1 Thomas Cook (India) Ltd.

Thomas Cook (India) Ltd. (TCIL) is the leading integrated travel services company in the country offering a broad spectrum of services that include Foreign Exchange, Corporate Travel, MICE, Leisure Travel, Value Added Services, Visa & Passport services, and E-Business. The company set up its first office in Mumbai, India in 1881. The headquarter is in Mumbai.

History

- Thomas Cook pioneered many ventures including the invention of the world's package tour in 1841, the first pre-paid hotel coupon in 1868, the creation of the first holiday brochure in 1858, and the conceptualization of the first Travellers Cheques in 1874.
- In 1881, Thomas Cook started its India operations in Bombay (later renamed Mumbai), and in October 1978, saw it christened Thomas Cook (India) Ltd. The company made its first public issue in February 1983 and commenced operations in

Mauritius in 2000. In the same year, they acquired the Sri Lanka business from Thomas Cook Overseas Ltd, UK.

- In 2006, Thomas Cook India Limited acquired LKP Forex Limited and Travel Corporation (India) Pvt. Ltd. (TCI).
- In May 2012, Fairbridge Capital (Mauritius) Limited acquired Thomas Cook India and became a part of Fairfax Group, Canada.
- In 2013, Thomas Cook India Limited acquired Quess Corp (formerly known as Ikya Group - HR, IT Services, Facilities Management, Food Services, Skill Development), and Sterling Holiday Resorts.
- In 2015, Thomas Cook Lanka Pvt. Ltd. (a subsidiary of Thomas Cook India Limited) acquired Luxe Asia Pvt. Ltd., Sri Lanka, a regional Destination Management Company handling inbound tourists from globally generating markets to its destinations. In the same year, TCIL announced the acquisition of Kuoni Travel (India) Private Limited, a travel operator in India, and Kuoni Travel (China) Limited, a travel operator in Hong Kong.
- In September 2017, Thomas cook acquired Tata Capital's forex and travel business.

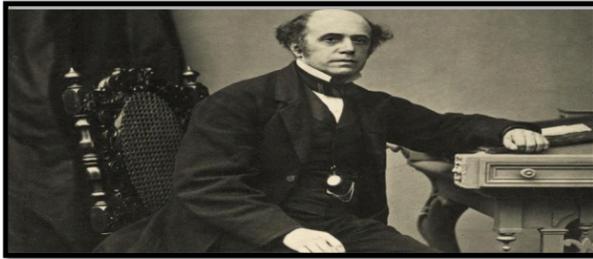


Fig 14.1 Thomas Cook - The father of modern tourism

Products & Services offered by Thomas Cook

1. Tour Packages offered by Thomas Cook

- Customize – Domestic Tour Packages
- Customize - International Packages
- Honeymoon Packages
- A La Carte Packages
- Private Journeys

- Cruise Packages
- 2. International Tour Packages**
- ³⁰ Maldives Tour Packages
- Dubai Tour Packages
- Switzerland Tour Packages
- Turkey Tour Packages
- Russia Tour Packages
- Egypt Tour Packages
- Europe Tour Packages
- 3. Domestic Tour Packages**
- Andaman Tour Packages
- Char Dham Tour Packages
- Goa Tour Packages
- Gujarat Tour Packages
- Himachal Tour Packages
- Kashmir Tour Packages
- Kerala Tour Packages
- Ladakh Tour Packages
- Madhya Pradesh Tour Packages
- North East Tour Packages
- Rajasthan Tour Packages
- 4. Visa & E-Visa services
- ³⁰ Travel Insurance
- 6. Passport Services**
- 7. Concierge Services -Attestation Services & FRRO Services 0
- 8. Meetings, Incentives, Conferences & Exhibitions (MICE)

Activity 1: Comparative Analysis Task

Task: Compare tour packages of Thomas Cook and SOTC in terms of target markets, pricing, and services.

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Expected Learning Outcome: Ability to analyse strategic differences among tour operators.

Example

Glimpses of Switzerland Tour Package– 5 Nights / 6 Days Tour

Price – 1,42,503 (Adult)

Day-1

Hotel – Novotel Zurich or similar in Zurich

Meals – Dinner

Welcome to Zurich: On arrival in Zurich, our Tour Manager / Local Representative will meet you outside the airport and take you to the hotel to check-in (Check-in time is after 3.00 pm).

Day-2

Hotel – Novotel Zurich or similar in Zurich

Meals – Breakfast & Dinner

Visit a chocolate factory - Orientation tour of Bern- See the Rhine Falls: Today, we proceed to visit a Swiss chocolate factory where you will experience the fascinating world of chocolate and understand the process of chocolate making. Later, we drive to Bern - the capital city of Switzerland. On your orientation tour, see the Clock Tower, Gothic fountains, and the Parliament building. Next, proceed to the Schaffhausen orientation tour, see the Clock Tower, Gothic fountains, and the Parliament building. Next, proceed to Schaffhausen to view the magnificent Rhine Falls.

Day-3

Hotel – Novotel Zurich or similar in Zurich

Meals – Breakfast & Dinner

An excursion to visit Jungfrauoch - Top of Europe, for a memorable encounter with snow and ice, a high-point of your tour! Take a cogwheel train from Lauterbrunnen / Grindelwald Grund to a height of 3,454 meters to Europe's highest railway station - a world of eternal ice and snow. Visit Ice Palace. Visit the Sphinx observatory deck to view the longest glacier in the Alps

Day-4

Hotel – Novotel Zurich or similar in Zurich

Meals – Breakfast & Dinner

31 Visit Mt. Titlis - Orientation tour of Lucerne: Today, we proceed to Mt Titlis. Our cable car ride includes the world's first rotating cable car, the Rotair - to the top of Mt. Titlis at 3,020 meters. Do not forget to visit the "Cliff Walk" a suspension bridge along the cliff of Mt. Titlis. 25 of Mt. Titlis at 3,020 meters. Do not forget to visit the "Cliff Walk" a suspension bridge along the cliff of Mt. Titlis. Next, we proceed for an orientation tour of Lucerne: See the Lion Monument, and Kapellbrücke (Chapel Bridge) with some free time to shop for famous Swiss watches, knives, and chocolates.

Day-5

Hotel – Novotel Zurich or similar in Zurich

Meals – Breakfast & Dinner

Go to the "Switzerland in a nutshell" tour. We will first visit the small and quaint town of Meiringen followed by visiting the Aare Gorge which has been carved out from the limestone and quaint town of Meiringen followed by visiting the Aare Gorge which has been carved out from the limestone cliffs by the Aare River. Next, we take a funicular ride to the Reichenbach waterfalls. On your way up, you will also get to capture some picturesque views of smaller waterfalls. Next, we proceed to visit Harder Kulm. On arrival, we take a short ride up the mountain where you will get spectacular views of Jungfrau, Eiger, and Monch peaks. What's more, relish Switzerland's famous cheese fondue lunch as you soak in the beauty of this region. Later, we visit Interlaken a traditional resort town in the mountainous Bernese Oberland region of central Switzerland. 25

Day-6

Hotel – NA

Meals – Breakfast

33 Return Home: Today, we check out and proceed to the airport for your flight back home. It's time to say goodbye to all the new friends you have made. We hope you take back many happy memories of your holiday. We would like you to spare a few minutes of your time to write and tell us how you enjoyed your holiday and any suggestions you may have for the future.

Inclusions

- 58 ➤ All local taxes and services as of 1st July 2021
- Cost of Visa and Medical Insurance for the duration of the tour.
- All transfers and extensive excursions with entrance fees (as specified in the itinerary) by a deluxe air-conditioned coach.

- Services of a professional, friendly, and multilingual Tour Manager or a local representative. (Subject to minimum 15 customers).
- Visa – Single-entry Schengen (Swiss) visa Included. This cost includes documentation, processing, and consulate fees
- Passport – should be valid for 6 months from the date of departure.

Exclusions

- Tipping is expected from anyone providing your service e.g. Coach Driver, Local Guides, etc. It is mandatory to tip a nominal amount of CHF 3 per person/per day. For the entire duration of this tour which is 06 Days, the total Tips amount is CHF 18 per person to be paid to the Tour Manager on Day 01 of the tour.
- Any increase in the airfare charged by the airline on your air ticket
- No portage included.
- Private airport transfers, Cost of Suggested / Optional Excursions.
- Arrival and Departure PCR - COVID test if required by the airline or Government bodies.

Case Study

Introductory Case Study: Competitive Positioning of Branded Tour Packages in India

Background of the Organisations

Thomas Cook India, Cox & Kings, and SOTC are among the most prominent tour operators in India. Each company has developed a strong brand identity through diversified tour packages catering to domestic and international markets. Their offerings range from luxury tours and corporate travel to pilgrimage, family holidays, and customised travel experiences.

Contextual Trigger

With the rise of online travel platforms and changing consumer preferences, traditional tour operators faced increasing pressure to innovate their tour packages. Customers demanded personalised experiences, competitive pricing, and seamless services. In response, these companies restructured their tour portfolios and adopted digital technologies to enhance package design and delivery.

Stakeholders Involved

1. Management and product development teams of tour companies
2. Tourists and travel agents
3. Airlines, hotels, and destination service providers
4. Digital platforms and technology partners

5. Government tourism authorities

Managerial and Behavioural Issues

- Differentiation of tour packages in competitive markets
- Balancing standardisation and customisation
- Brand positioning and customer perception
- Cost management and value creation
- Integration of digital tools in tour packaging

Importance of the Case for the Lesson

This case highlights how major tour operators strategically design tour packages to sustain competitiveness. It demonstrates the importance of branding, innovation, and customer-centricity in tour package development.

Linkage to Lesson Concepts

The case relates to:

- Product portfolios of Thomas Cook, Cox & Kings, and SOTC
- Strategic positioning of tour packages
- Comparative analysis of tour packages
- Role of branding in tourism products

Activity 2: Application-Based Task

Task: Design a branded tour package for a hypothetical tour company targeting young travellers.

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Expected Learning Outcome: Understanding of tour package design and branding.

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14.2 Cox & Kings

Cox & Kings is the longest established travel company in the world. Cox & Kings Ltd., set up in 1758, is one of the longest established travel companies. Headquartered in India and the UK, the holiday and education travel group have subsidiaries in the United States, Canada,

the United Kingdom, Netherlands, the United Arab Emirates, Japan, Singapore, Australia, and New Zealand.

Cox and Kings were founded by Richard Cox in 1758. He previously worked as an army agent, a travel agent, a printer, and a publisher. Additionally, it has worked as a news agency, a cargo agent, a shipowner, a banker, an insurance agent, and a dealer in a variety of travel-related activities.



Fig 14.2 Richard Cox

Cox & Kings is a premium brand in all travel-related services like Destination Management, Outbound Tourism, Business Travel, Incentive & Conference Solutions, Domestic Holidays, and Trade Fairs in the Indian subcontinent.

Different types of Tours offered by Cox & Kings

- All Group Tours
- Private Tours
- Cruises Tours
- Family Tours
- Adventures Tours
- Rail Journeys
- Self-Drive journeys
- Tailor-Made Holidays
- Visa & E-Visa services
- Travel Insurance
- Passport Services
- Foreign Exchange

International Tour Package offered by Cox & Kings**Majestic Russia**

Duration - 7 days & 6 nights Category

Solo group tour - From £1,695 (incl. flights)

Day 1: Fly to St Petersburg Morning flight from London (regional connections available) to St Petersburg with Aeroflot. Transfer to the Ambassador Hotel (or similar) for 3 nights. Welcome dinner. (D)

Day 2: St Petersburg- Pushkin

Morning tour of St Petersburg, including NevskyProspekt and Vasilievsky Island. Afternoon visit to Catherine Palace at Pushkin, including the renowned Amber Room. (B)

Day 3: St Petersburg Morning visit to the world's largest museum, the Hermitage. Founded by Catherine the Great and the former residence of the tsars, the museum houses an unrivaled collection of European and Russian masterpieces. Optional afternoon tour of the Faberge Museum. (B)

Day 4: St Petersburg, Moscow

Morning at leisure or optional visit to Peterhof to view the exterior of Peter the Great's Summer Palace and explore the gardens. Late afternoon train to Moscow (4 hours). On arrival, transfer to the Park Inn Sadu (or similar) for 3 nights. (B)

Day 5: Moscow Morning tour of Moscow. View the magnificent Red Square with St Basil's Cathedral, the Moscow State University, and Novodevichy Convent. Afternoon at leisure. (B)

Day 6: Moscow Morning visit to the Kremlin, including Cathedral Square and the Armoury Museum with its collection of imperial crowns and carriages. Optional visit to the Arbat quarter, followed by a tour of selected Moscow metro stations - so-called underground palaces adorned with marble and chandeliers. Farewell dinner in the evening. (B, D)

Day 7: Fly to London Morning at leisure. Afternoon transfer to the airport and fly to London. (B)

Meal basis: As per itinerary - B: Breakfast, L: Lunch, D: Dinner, N: No meals.

Inclusions

- Accommodation
- All inter transfer & sightseeing as per Itinerary by Suitable NON AC Vehicle.
- All local taxes
- Cost of Visa and Medical Insurance for the duration of the tour.
- Airline Fare

Exclusions

- Entry Fee
- Payment for service provided on a personal basis
- Personal expenses on items such as Laundry, Soft & Hard Drinks, Porterage, and Bell-Boy charges, Tips, etc.
- Any increase in the airfare charged by the airline on your air ticket
- Private airport transfers, Cost of Suggested / Optional Excursions.
- Arrival and Departure PCR - COVID test if required by the airline or Government bodies.

14.3 SOTC Travels

SOTC Travel Limited (Formerly SOTC Travel Pvt. Ltd.) is a step-down subsidiary of Fairfax Financial Holdings Group; held through its Indian listed subsidiary, Thomas Cook (India) Limited (TCIL). SOTC India is a leading travel and tourism company active across various travel segments including Leisure Travel, Incentive Travel, and Business Travel.

SOTC was established in 1949. Since then, it has escorted lakhs of travelers across the globe for more than 70 years to various destinations around the world. It is one of the leaders in segments, namely Escorted Group Tours, Customised Holidays, Holidays of India, and Incentive Travel amongst others. SOTC's customer focus, innovation, and operational excellence have not only tapped the existing market potential but have also created new markets through innovative packages. Its vast array of holiday services is taking holidaying to an entirely new level. A new-age innovative holiday maker, SOTC strives to make holidays a priority for every Indian. Through investments in technology and with a strong online presence the company serves its customers through an omnichannel play.

Leisure Travel

SOTC has been the pioneer in the development of organized leisure travel in the Outbound and Domestic divisions. Its leisure segment includes offerings namely, Escorted Group Tours, Customised Holidays, Luxury Holidays, and Holidays of India.

With its extensive and continuously expanding network of sales offices across India, the leisure business has been undertaking path-breaking initiatives to reach out to travelers through innovative products. It has pioneered the concept of one-day roadshows named Holiday Bazaars that promote international and domestic escorted and group tours in India that endeavor to bring to life our customer's dream holidays. Recognizing the importance of language markets, SOTC also pioneered tours conducted in Marathi and Gujarati under the

SOTC brand extensions: SOTC Brahman Mandal and SOTC GurjarVishwadarshan. SOTC Travel is the pioneer in Indian travel space to enter the integrated spiritual + leisure segment with the introduction of Spiritual Tours named Darshans. Perfect Moments- Luxury Travel by SOTC seeks to redefine luxury travel cliches for connoisseurs. Our exclusive collection of luxury experiences are curated and designed exclusively for esteemed and discerning travellers across the world.

The company is an innovator in introducing the co-created initiative in the Leisure Holiday Space. The co-created initiative is a platform that invites customers to spell out their most important expectations from a Holiday so as to enhance and deliver an enriching holiday experience. SOTC also organizes tours for Non-Resident Indians (NRIs) in the US, the UK, the Middle East, and Africa.

Incentive Travel

With a dedicated team of over 100 professionals across India who specialize only in meetings, incentives, conferences, and events, SOTC's customer-focused strategies and national reach have consistently ensured our market leadership in the MICE segment of the outbound travel arena.

Business Travel

Business Travel is India's leading travel management company. With leading-edge technology, user-oriented software applications, and a strong focus on service and customer needs, it has firmly established itself as the expert in the business travel sector. Many of India's top companies have chosen Business Travel for its global capabilities and specialist local expertise.

Products & Services offered by SOTC Travel agency

1. International Tour Packages

- Maldives Tour Packages
- Dubai Tour Packages
- Egypt Tour Packages
- Turkey Tour Packages
- Russia Tour Packages
- Seychelles Tour Packages
- Mauritius Tour Packages
- Bangkok Tour Packages
- Phuket Tour Packages

2. International Honeymoon Packages

- Bali Honeymoon Packages
- Dubai Honeymoon Packages
- Maldives Honeymoon Packages
- Mauritius Honeymoon Packages
- Australia Honeymoon Packages
- Europe Honeymoon Packages
- Thailand Honeymoon Packages
- Singapore Honeymoon Packages
- Switzerland Honeymoon Packages

3. India Tour Packages (Domestic Tour Packages)

- Goa Tour Packages
- Kashmir Tour Packages
- Ladakh Tour Packages
- North East Tour Packages
- Uttarakhand Tour Packages
- Himachal Tour Packages
- Andaman Tour Packages
- Kerala Tour Packages

4. India Honeymoon Packages

- Goa Honeymoon Packages
- Manali Honeymoon Packages
- Shimla Honeymoon Packages
- Andaman Honeymoon Packages
- Kerala Honeymoon Packages
- Munnar Honeymoon Packages
- Coorg Honeymoon Packages

5. Passport Services**6. Visa services****7. Travel Insurance****International Tour Package by SOTC****Easy Bali Villa Special with Flexi Flights (4N Hotel and 2N Villa)**

Duration – 6 Nights / 7 Days

Package starts from - 81,874

Day- 1

Arrive Indonesia - Bali

Welcome to Bali - The land of dreams! Upon arrival at Denpasar Airport, you will be met by our representative who will assist you with the transfer to your accommodation in Bali. Check-in and time at leisure to explore the island on your own. Bali, an island of Indonesia, is so beautiful it will leave you speechless. Known for its unspoiled natural beauty, Bali has an immensely varied landscape, with rugged coastlines marked by pristine beaches, lush green hills and volcanoes, rice terraces, and dense forests. Spend overnight in Bali.

Day- 2

Meals – Breakfast

Bali: Half Day Royal Taman Ayun and Tanah Lot Floating Temple Tour on Private Basis
Enjoy a leisurely breakfast at the hotel. In the afternoon, you'll be picked up from the hotel for the sightseeing tour. Start your tour by visiting Royal Taman Ayun Temple. Taman Ayun, which is the Mother Temple of Mengwi Kingdom. "Taman", in English means "garden", and "Ayun" or "Ayu" is "beautiful"; so Taman Ayun means a holy place that is surrounded by a beautiful water garden. This temple is designed with Bali architecture, the form of this temple building also owns separate unique with up to 10 storey's. Taman Ayun Temple is built on flat land with a big fish pond surrounding it. Taman Ayun Temple is also considered to have historical values, which makes the regional government of Bali suggests the UNESCO in 2002 that this temple is included in the World Heritage List. Later continue your tour with a visit to Alas Kedaton Temple. Alas Kedaton Temple is a small forest located in the middle of a rice field and dwelt by a group of monkeys. Another stop during Tanah Lot Tour will be to visit this temple. It is a good habitat for wild animals like monkeys, bats, and birds. The monkeys who dwell in Alas Kedaton Temple, jump up and down in temple wall, take a bath in moat or there is also hang out in few leaves representing impression view. Then as the sun sets down, you will proceed towards Tanah Lot Floating Temple. This temple is very beautiful in the particular at sunset time. You can view this temple from several spot points with a spectacular view of the ocean and sunset. The word Tanah Lot has consisted of two words - "Tanah" is interpreted as a reef or island and "Lot or Lod" means the sea. So Tanah Lot is also referred to as a small island floating on the sea. Return to the hotel post the tour and spend the overnight in Bali.

Day-3

Meals – Breakfast

Bali: Day at Leisure Post enjoying breakfast at the hotel, the day is at leisure to enjoy the various optional tours. Spend a comfortable overnight in Bali.

Day-4

Meals – Breakfast

Bali: Day at Leisure Post enjoying breakfast at the hotel, the day is at leisure to enjoy the various optional tours. Spend a comfortable overnight in Bali.

Day-5

Meals – Breakfast

Bali: Transfer to the Villa in Seminyak - Day at Leisure After breakfast at the hotel, the morning is free. In the afternoon you will be transferred to Seminyak for a different stay experience in a Villa. The day is at leisure to enjoy the villa and its surroundings. Spend a comfortable overnight in Bali.

Day-6

Meals – Breakfast

Bali: Day at Leisure Today, enjoy Breakfast in your private Villa. Later the day is at leisure to enjoy the optional activities. Enjoy your last day in Bali buying something for yourself or your loved ones

Day-7

Depart Bali This morning after breakfast, you will be transferred to the airport for your onward flight home.

Inclusions

- Airfare
- 04 nights' hotel accommodation in Bali
- 02 nights' villa accommodation in Bali
- Breakfast every day except on Day 1
- Transfer from airport to hotel and villa to airport on a private basis
- Inter-Hotel / Villa Transfer on a private basis
- Travel Insurance

Exclusions

- Indonesia Visa Charges
- Guaranteed early check-in or late check-out.
- Tips and porter-Charges
- Drinks including Water during meals/sightseeing tours are not included

- Any expenses of personal nature

Activity 3: Reflective Task

Task: Write a short note on the role of brand image in influencing tourist choice of tour packages.

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Expected Learning Outcome: Development of critical thinking on tourism branding.

14.4 Keywords

Package – A Combination of travel-related services such as air transportation, accommodation, Car rental, etc.

Travel Insurance – Travel Insurance offers coverage against various types of emergencies like medical expenses

14.5 Self-Assessment Questions

- Write a brief note about Thomas Cook?
- Discuss the Different types of Tour Packages offered by Thomas Cook?
- Explain the significance of Cox & Kings travel agency?

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. Mention two major tour operators in India.
Answer: Thomas Cook India and SOTC.
2. What is a branded tour package?
Answer: A tour package offered under a recognised brand with standardised quality and services.
3. State one characteristic of Thomas Cook tour packages.
Answer: Wide range of international and domestic packages.
4. Mention one feature of Cox & Kings tour packages.
Answer: Strong presence in luxury and group tours.
5. What is SOTC known for?
Answer: Affordable group tours and customised travel solutions.
6. State two benefits of branded tour packages.
Answer: Reliability and customer trust.

7. Mention two factors influencing tour package design by major operators.
Answer: Market demand and competition.
8. What is the role of branding in tourism products?
Answer: Branding differentiates products and influences customer decisions.

2. Essay-Type Questions (with Hints)

1. Explain the tour package portfolios of Thomas Cook India.
Hints: Types of packages, target segments, strategic positioning.
2. Discuss the characteristics of Cox & Kings tour packages.
Hints: Luxury tours, heritage tours, international packages.
3. Analyse the tour package strategies of SOTC.
Hints: Market segmentation, pricing, customer orientation.
4. Compare the tour packages of Thomas Cook, Cox & Kings, and SOTC.
Hints: Product range, pricing, target markets, innovation.
5. Evaluate the role of branded tour packages in tourism industry development.
Hints: Trust, quality assurance, competitiveness, customer loyalty.

3. Analytical MCQs

1. Branded tour packages primarily help in:
A. Reducing customer confidence
B. Enhancing trust and reliability
C. Eliminating competition
D. Increasing uncertainty
Correct Answer: B
2. Cox & Kings is traditionally associated with:
A. Only budget tours
B. Luxury and heritage tours
C. Airline operations
D. Hotel management
Correct Answer: B
3. SOTC tour packages mainly target:
A. Only corporate clients
B. Middle-income and group travellers
C. Only international tourists
D. Government officials
Correct Answer: B
4. Thomas Cook India is known for:
A. Limited tour offerings
B. Diversified travel services and packages
C. Eliminating customised tours
D. Avoiding digital platforms
Correct Answer: B
5. Branding in tour packages contributes to:
A. Reduced differentiation
B. Stronger market positioning
C. Lower service quality

D. Increased operational inefficiency

Correct Answer: B

Case Study for Self-Assessment

Case Study: Designing Competitive Tour Packages in a Digital Market

Background

A mid-sized Indian tour operator attempted to compete with established brands like Thomas Cook, Cox & Kings, and SOTC. The company aimed to design innovative tour packages to attract young and tech-savvy travellers.

Problem Situation

Despite competitive pricing, the company struggled to build brand trust and differentiate its tour packages. Customers perceived branded operators as more reliable and professional.

Stakeholders Involved

1. Tour operator management
2. Product development and marketing teams
3. Tourists
4. Service providers
5. Digital platforms

Managerial Issues

- Brand building and positioning
- Innovation in tour package design
- Customer trust and perception
- Competitive strategy development
- Digital marketing integration

Relevance to Lesson Concepts

This case illustrates:

- Competitive positioning of branded tour packages
- Strategic differences among tour operators
- Role of branding in tourism business

Analytical Questions

1. Identify the key competitive advantages of branded tour operators.
2. Analyse the challenges faced by the new tour operator.
3. Suggest strategies to design competitive tour packages.
4. Discuss the role of branding in tour package success.
5. Evaluate how digital platforms influence tour package competition.

14.7 Further Readings.**A. Text Books**

1. Bhatia, A.K., *Tourism Development: Principles and Practices*, Sterling Publishers, New Delhi, 2006.
2. Holloway, J.C. and Taylor, N., *The Business of Tourism*, Pearson Education, Harlow, 2006.
3. Goeldner, C.R. and Ritchie, J.R.B., *Tourism: Principles, Practices, Philosophies*, Wiley, New York, 2012.
4. Gee, C.Y., Makens, J.C. and Choy, D.J.L., *The Travel Industry*, Van Nostrand Reinhold, New York, 1997.
5. Weaver, D. and Lawton, L., *Tourism Management*, Wiley, Sydney, 2014.
6. Foster, D., *Travel and Tourism Management*, Macmillan, London, 1999.

B. Other References

- Annual reports and official websites of Thomas Cook India, Cox & Kings, and SOTC
- [UNWTO](#) publications on tourism product development
- [Ministry of Tourism, Government of India](#) reports
- Industry analyses from [The Hindu](#) and [Economic Times](#)

LESSON 15

FOREIGN EXCHANGE MARKET**1 Learning Objectives**

After studying this lesson, the learner will be able to:

- Explain the concept and structure of the foreign exchange market
- Identify participants and instruments in the foreign exchange market
- Analyse factors influencing exchange rates
- Apply foreign exchange concepts in travel and tourism business
- Evaluate the role of foreign exchange market in international tourism

Course Structure

15.1 Forex Reserves

15.2 Foreign exchange market

15.3 Exchange rate management in India

15.4 FEMA

15.5 Keywords

15.6 Self-Assessment Questions

15.7 Further Readings

2 15.1 Forex Reserves

Forex reserves refer to the assets which are held by the central bank (for India it is Reserve Bank of India) in foreign currencies, gold reserves, SDRs with IMF etc. The forex Reserves apart from the foreign banknotes, also include foreign treasury bills, foreign bank deposits, foreign government securities etc. Forex reserves provide a buffer and act as hedging against challenging and difficult times. These are also used for backing the liabilities on their own currencies and it also influences the monetary policy. The foreign currencies which are held as forex reserves include US dollar, Euro, British pound sterling, Japanese yen and Chinese Yuan.

Components of India's Foreign Exchange Reserves

- Foreign currency assets (FCAs)
- Special drawing rights with IMF
- Gold reserves
- Reserve Bank of India's reserve position with the IMF.

The largest component of the Foreign Exchange Reserves constitutes of foreign currency assets (FCAs). Changes in FCAs occurs due to the selling and purchasing of foreign exchange by the Reserve Bank of India, externally received income of the Government of India from the deployment of foreign exchange reserves and income due to the revaluation of assets. The Foreign Exchange Reserves as of 17th August 2018 are:

- Total Reserves ~ US\$400,847 billion
- Foreign Currency Assets ~ US\$ 376,205 billion
- Gold ~ US\$ 20.727 billion
- SDRs ~ US\$ 1.463 billion
- Reserve Position in the IMF ~ US\$ 2.452 billion

Activity 1: Exchange Rate Analysis Task

Task: Analyse the effect of recent USD–INR exchange rate changes on outbound tourism from India.

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Expected Learning Outcome: Understanding of practical implications of foreign exchange fluctuations.

15.2 Foreign Exchange Market

The marketplace where the international foreign currencies are sold and purchased simultaneously is known as the foreign exchange market or forex market. It provides the platform for banks, merchants, corporate firms, individual investors, and governments to buy and sell foreign currencies. The Indian foreign exchange market started operating in 1978, and it has been now around 40 years since its establishment. The foreign exchange market has grown significantly over these years and its annual turnover has now reached above \$400 billion. The Indian foreign exchange market is regulated and controlled by the central government's policies and rules defined by the national laws. The structure and other aspects

of the Indian foreign exchange market makes it distinct from the other markets of the world. The external trade of India is around 40 % of the GDP which is higher than economies like China (37%) and US (27 %). Indian economy has become increasingly open which has provided investment opportunities for foreign investors leading to an increase in the capital flows. In the last three decades, the foreign exchange market has grown significantly in terms of turnover, participation base and the types of instruments. The daily average forex turnover has grown from around \$27 billion in 2005-06 to the current figure of approximately \$58 billion. Currently, in 2018 the Indian foreign exchange market is healthy and is quite vibrant. The Indian forex market is listed among the top 10 forex markets and is considered as the eighth best market in the world by forex reserves.

Structure of the foreign exchange market in India

The foreign exchange market of India consists of several stakeholders. The main stakeholders of the Indian forex market:

- The Reserve Bank of India
- Commercial banks / authorized dealers
- Traders participating and the forex market

Traders generally include the individual public who are also the corporate customers of the commercial banks. They use these commercial banks as authorised dealers for trading in the forex market. All the traders access the forex market through these authorised dealers though the categories of traders vary. The commercial banks are legally authorised institutions who are allowed to handle the foreign currency. As there are different tiers of banks in India the laws determine which banking institution is declared as a financial institution. These legal institutions allow the customers to create accounts and access the forex market for trading in different products. The trading in the forex marketplace has evolved significantly since the 1990s, after the liberalization of the forex market by the regulatory authorities. The Reserve Bank of India has the responsibility for the regulation and determination of monetary policy in India. RBI regulates the Indian foreign exchange market through the exchange control department. The Foreign Exchange Dealers Association, which is a voluntary association also helps in the regulation of the Indian foreign exchange market. The dealers authorised by the Reserve Bank of India and the accredited brokers participate in the trading of Indian forex market. The Indian foreign exchange market is regulated by the foreign exchange management (FEMA) Act, 1999. Earlier, the Indian forex market was regulated by the

Foreign Exchange Regulation FERA Act 1947, till 1973, and the Foreign Exchange Regulation Act 1973 afterward till 1999.

Types of foreign exchange market operations

- **Spot market operations (current market):** the market which handles the spot transactions or current transactions of foreign currencies are known as spot market. They handle only spot transactions and transactions are of daily in nature.
- **Forward Market (or derivative market):** Forward Market deals with future delivery of foreign exchange instruments. Forward Market transactions determine the forward exchange rate at which the forward transactions are honored. It deals with instruments such as currency futures, currency swaps, foreign exchange forward, and currency options etc.
- **Exchange settlement and dealings:** the settlement and billings of foreign exchange are facilitated with the help of Nostro accounts and Vostro accounts.
 - **Nostro account** is a foreign currency demand deposit account which is maintained by domestic banks in India with a bank in abroad. The basic meaning of the Nostro account is that our account is with you.
 - **Vostro account** refers to the domestic currency denominated demand deposit accounts maintained by the foreign banks which domestic banks. The basic meaning of the Vostro account is that your account is with us.

Though the structure of the foreign exchange market in India is similar to other countries of the world but it is not as advanced as the other major foreign exchange markets. The Indian foreign exchange market deals with a huge volume of daily transactions and has seen a steady growth rate. However, the volume of trade in the forex market is tilted towards particular assets as the Indian forex market is not as developed as in the advanced economies. Though the total value of the foreign exchange market is large in terms of assets but in terms of the transaction rates, it is not as big.

Exchange rates

Exchange rate refers to the price of any currency in terms of another currency. It has two components, the national currency, and the foreign currency. It can be quoted directly in which the value of the unit foreign currency is expressed in terms of the national currency. It can also be quoted indirectly in which the value of the domestic currency is expressed in

terms of US dollar or any other foreign currency. The exchange rate of any two currency is determined by their relative purchasing powers as per the purchasing power parity theory.

Categories of exchange rate regimes

Fixed exchange rate

- Under the fixed exchange rate regime, the government or the central bank has complete intervention in the determination of the currency's exchange rate. This is achieved by linking the domestic currency to the value of gold or with other major currencies such as US dollar etc.
- The government has the responsibility to intervene and maintain the exchange rate equilibrium in case of any fluctuations due to any reason.
- The benefit of the fixed exchange rate regime is that it ensures stability in the exchange rate of the domestic currency. It ensures that the domestic currency does not appreciate or depreciate beyond the predetermined level.
- Fixed exchange rate regime has the disadvantage that it puts a massive burden on the government for maintenance of the exchange rate and the government may have to infuse a large amount of money for the maintenance of the exchange rates.
- The foreign investment can reduce under the fixed exchange rate regime as investors may lose their confidence as they believe that the exchange rate of the domestic currency does not represent the real value of the economy.

Floating exchange rate

- Under the floating exchange rate regime, the market forces determine the value of domestic currency on the basis of the forces of demand and supply of the domestic currency.
- In this system, neither the government nor the central bank intervenes and the market functions freely to determine the real value of domestic currency.
- The floating exchange rate regime establishes trust among the foreign investors which can help in the increase in foreign investment in the domestic economy.
- This system ensures that a country can get easy access to loans from the IMF and other international financial institutions.

Managed floating exchange rate

Managed floating exchange rate regime lies between the fixed exchange rate regime and the floating exchange rate regime. In the system, the exchange rate of domestic currency is

allowed to move freely based on the market forces of demand and supply. However, during difficult circumstances, the central banks intervene to stabilize the exchange rate of the domestic currency. It can further be categorised as following:

- **Adjusted peg system:** under this, the central bank tries to hold the exchange rate of domestic currency until the foreign exchange reserves of that country gets exhausted. After this, the central bank goes for the devaluation of the domestic currency to move to another equilibrium of the exchange rate.
- **Crawling peg system:** under this, the central bank keeps on adjusting exchange rate based on the new demand and supply conditions of the exchange rate market. It follows a system of regular checks and balances and the central bank undertakes small devaluations based on the market conditions.
- **Clean floating:** under this, the exchange rate of domestic currency is based on the market forces of demand and supply without the government intervention. This system is identical to the floating exchange rate.
- **Dirty floating:** under this, the exchange rate is mainly determined by the market forces of demand and supply but the central banks occasionally intervened to remove excessive fluctuations from the foreign exchange markets.

15.3 Exchange rate management in India

The exchange rate system in India has undergone a systematic change since Independence. From the system of the pegged exchange rate to the present form of market determined exchange rate after liberalisation in 1993.

- **Par value system till 1971:** under the system, the external value of rupee was fixed by the government to the UK pound sterling and gold. In 1966, the Indian Rupee was devalued by 36 %.
- **Pegged regime (1971-1992):** the value of Indian rupee was pegged to US dollar (1971-1991) and to the pound sterling (1971-1975). After the breakdown of brettonwoods system and the collapse of the pound sterling, the value of Indian rupee was pegged on the basis of weighted average of a basket of currencies of the major trading partners of India. The RBI determined the exchange rate within a band of plus minus 5 % of this weighted average.

- **Partial convertibility after 1991:** partial convertibility of Indian rupee was in operation till 1993 under the Liberalized Exchange Rate Management System (LERMS). In this system, 40 % of the exchange rate was to be converted on the basis of the official exchange rate, and the remaining 60 % was based on the market determined exchange rate.
- **Market based exchange rate Regime since 1993:** India adopted the market based exchange rate since 1993, and the LERMS was removed in the budget 1994. RBI intervenes in the market only to reduce volatility and sudden appreciation or depreciation of Indian rupee.

Activity 2: Application-Based Task

Task: Prepare a brief note on how travel agencies can manage foreign exchange risk.

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Expected Learning Outcome: Ability to apply foreign exchange concepts in tourism business.

2 Objectives of exchange rate management in India

- To ensure that the economic fundamentals of the Indian economy are correctly reflected in the external value of Indian rupee.
- To reduce the volatility in exchange rates for ensuring that changes in the exchange rates take place in a smooth and orderly manner.
- To maintain a sufficient level of foreign exchange reserves to deal with any external currency shocks.
- To help in the elimination of market constraints for ensuring the growth of a healthy foreign exchange market.
- To help in the prevention of the emergence of any destabilizing and speculative activities in the foreign exchange market.

Factors affecting the exchange rate of India

The exchange rate of any currency is determined by the supply and demand for the country's currency in the international foreign exchange market. For example, the value of Indian rupee with respect to the dollar is determined by the demand of dollar against the Indian rupee. If the demand for dollar increases, its value increases, and dollar appreciates while Indian rupee depreciates with respect to the dollar. The exchange rate of Indian rupee is also affected by the following factors:

- **Intervention of The Reserve Bank of India:** during high volatility in the exchange rate, RBI intervenes to prevent the exchange rate going out of control. For example, the RBI sells dollars when Indian rupee depreciates too much, while it purchases dollars when the Indian rupee appreciates beyond a certain level.
- **Inflation rate:** the increase in inflation rate can increase the demand for foreign currency which can negatively impact the exchange rate of the national currency. For example, an increase in the inflation level of petroleum oil can increase the demand for foreign currency leading to the depreciation of Indian rupee.
- **Interest rate:** interest rates on government securities and bonds, corporate securities etc affect the outflow and inflow of foreign currency. If the interest rates on government bonds are higher compared to other country forex markets, it can increase the inflow of foreign currency, while lower interest rates can lead to the outflow of foreign currency. This affects the exchange rate of Indian rupee,.
- **Exports and imports:** exports and imports affect exchange rate as exports earn of foreign currency while imports require payments in foreign currency. Thus, if the overall exports increases, the national currency appreciates, while increases in imports leads to the depreciation of the national currency.
- Apart from these, the Indian foreign exchange market is also affected by factors such as the receipts in the accounts of exports in invisibles in the current account, inflow in the capital account such as FDI, external commercial borrowings, foreign institutional investments, NRI deposits, tourism activities etc.

Other important concepts related to exchange rate in India

Current account convertibility has been allowed in India, and India has achieved the status of article VIII of IMF. However, the government retains some controls on the current account such as on export proceeds, caps on money spent on the purchase of services in foreign countries etc. **Capital account convertibility** of Indian rupee has not been made fully convertible. RBI and the government control the inflow and outflow of capital from India. **RBI**

intervention

- **Direct intervention:** RBI undertakes open market operations for the purchase and sale of international currency in the spot and forward markets to remove volatility in the exchange rate of the Indian rupee.
- **Indirect intervention:** RBI prescribes reserve requirements, and interest rates to smoothen the temporary mismatches of the exchange rate and demand and supply of foreign currency.

Case Study**Introductory Case Study: Impact of Rupee Volatility on Indian Tour Operators****Background of the Sector**

The foreign exchange market plays a crucial role in international tourism. Indian tour operators, travel agencies, airlines, and hotels are directly affected by fluctuations in foreign exchange rates. Payments for international tours, airline tickets, hotel bookings, and overseas services are largely denominated in foreign currencies, making exchange rate movements a critical factor in tourism business performance.

Contextual Trigger

During a period of significant depreciation of the Indian rupee against the US dollar, several Indian tour operators faced unexpected increases in operational costs for outbound tour packages. While the demand for foreign travel remained strong, profit margins declined due to higher foreign currency payments. At the same time, inbound tourism increased because India became a relatively cheaper destination for foreign tourists.

Stakeholders Involved

1. Tour operators and travel agencies
2. Tourists (outbound and inbound)
3. Banks and authorised foreign exchange dealers
4. Airlines, hotels, and overseas service providers
5. Government and regulatory authorities

Managerial and Behavioural Issues

- Managing foreign exchange risk in tour costing
- Pricing outbound and inbound tour packages
- Hedging against currency fluctuations
- Strategic decision-making under exchange rate uncertainty
- Customer communication regarding price changes

Importance of the Case for the Lesson

This case illustrates how foreign exchange market dynamics influence tourism business decisions. It highlights the strategic importance of foreign exchange management for tour operators and travel agencies.

Linkage to Lesson Concepts

The case relates to:

- Concept and functioning of foreign exchange market
- Exchange rate fluctuations and their impact
- Role of foreign exchange in tourism
- Risk management in international travel business

15.4 FEMA 1999

Foreign Exchange Regulation Act, 1973 (FERA) was replaced by the Foreign Management Act, 1999 (FEMA). FEMA was enacted by Parliament of India and it came into force on 1st June, 2000. There are a total of 49 Sections divided into 7 chapters. The reason for the replacement emerged because it was not suitable for the prevailing environment and was harsh as it contained a provision for imprisonment.

On the other hand, FEMA was introduced with the changes because of the new, liberal and changing environment.

Also, earlier FERA was passed due to the insufficient foreign exchange in the country and FEMA was passed with the objective to relax the controls on foreign exchange in India.

The head office of FEMA is situated in New Delhi known as Enforcement Directorate and is headed by a Director.

Authorities

- Reserve Bank of India and the Central Government is the controlling authority- Central Government enacts the laws and RBI ensures its enforcement.
- The Directorate of Enforcement is the administrative and managing authority.

Objectives

- To reinforce and amend the law relating to foreign exchange.
- To simplify and ease the external trade and payments.
- To promote the systematized development and maintenance of a healthy foreign exchange market in India.
- To remove disparity of payments.
- To control and direct the employment business and investment of the non-residents.
- To utilise the foreign exchange resources effectively for the country.

Features of FEMA

- FEMA does not apply to the Indian citizens who resides outside India. This criteria is checked by the number of days a person stays in India for more than 182 days in the preceding financial year.
- Central Government has the authority given by FEMA to impose restrictions on and supervise three things which are- payments made to any person outside India or receipts from them, forex and foreign security deals.
- It specified the areas for holding of forex that required specific permission of the Reserve Bank of India (RBI) or the government.
- FEMA classified the transaction into a current and capital account.

6 Difference between FERA and FEMA

Basis	FERA	FEMA
Meaning	FERA was implemented to regulate foreign payments and to	FEMA aims to promote foreign trade, foreign

	ensure optimum use of foreign currency in India.	payments and to increase the size of foreign exchange reserve in the country.
Enactment	It is an old enactment and was approved by the Parliament in the year 1973.	It is a new enactment and was approved by the Parliament in the year 1999 and is currently in force.
Number of Sections	It had 81 Sections.	It has 49 Sections divided into 7 chapters.
When this was introduced(position of foreign exchange)	When foreign exchange reserves were very low.	When foreign exchange reserves were adequate but required regulation and balance.
Outlook towards foreign exchange reserves.	A rigid approach was there.	A flexible approach is there.
Determining the residential status	Through citizenship only it was determined.	More than 182 days/ 6 months stay in India.
Transfer of funds	A person has to take permission from RBI relating to the transfer of funds to external operations.	There is no requirement of the pre-approval from RBI regarding the transfer of funds relating to the external operations, funds or trade.
contravention/violation	If any violation of the provision or order then it will be considered as a criminal offence.	If any violation of the provision or order then it will be considered as a civil offence.
Punishment for the violation	The guilty person will be sentenced to imprisonment.	The guilty person will be held liable to pay a fine and if the fine is not paid within stipulated time then will be sentenced to imprisonment.

Activity 3: Reflective Task

Task: Write a short note on the role of foreign exchange market in global tourism development.

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Expected Learning Outcome: Development of analytical and global perspective.

15.5 Keywords

- **Foreign Exchange Regulation Act, : 1973 (FERA)** was replaced by the Foreign Management Act, 1999 (FEMA). FEMA was enacted by Parliament of India and it came into force on 1st June, 2000.
- **Forex reserves:** refer to the assets which are held by the central bank (for India it is Reserve Bank of India) in foreign currencies, gold reserves, SDRs with IMF etc.
- **Clean floating:** under this, the exchange rate of domestic currency is based on the market forces of demand and supply without the government intervention. This system is identical to the floating exchange rate.

15.6 Self Assessment Questions

- Define Foreign Exchange Market
- Write about the FEMA Act.
- Difference between FERA and FEMA

Self-Assessment Questions**I. Short-Answer Questions (with Answers)**

1. Define foreign exchange market.
Answer: The foreign exchange market is a global marketplace where currencies are bought and sold.
2. Mention two participants in the foreign exchange market.
Answer: Banks and corporations.

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3. What is an exchange rate?
Answer: The price of one currency in terms of another currency.
4. What is the spot market?
Answer: A market where currencies are exchanged for immediate delivery.
5. Mention two factors influencing exchange rates.
Answer: Interest rates and inflation.
6. What is foreign exchange risk?
Answer: The risk arising from fluctuations in currency exchange rates.
7. State two benefits of foreign exchange market for tourism.
Answer: Facilitation of international payments and promotion of global travel.
8. What is hedging in foreign exchange?
Answer: A strategy used to reduce the risk of adverse currency movements.

2. Essay-Type Questions (with Hints)

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1. Explain the concept and structure of the foreign exchange market.
Hints: Definition, participants, types of market functions.
2. Discuss the factors determining exchange rates in the foreign exchange market.
Hints: Demand and supply, interest rates, inflation, balance of payments.
3. Analyse the role of foreign exchange market in tourism industry.
Hints: International payments, tour pricing, inbound and outbound tourism.
4. Examine the impact of exchange rate fluctuations on tour operators.
Hints: Costing, pricing, profitability, risk management.
5. Evaluate foreign exchange risk management strategies in travel business.
Hints: Hedging, forward contracts, diversification, pricing strategies.

3. Analytical MCQs

1. The foreign exchange market primarily facilitates:
A. Domestic trade only
B. Exchange of currencies between countries
C. Elimination of international trade
D. Reduction of tourism demand
Correct Answer: B
2. The spot market in foreign exchange deals with:
A. Future currency delivery
B. Immediate currency transactions
C. Government policies
D. Tourism promotion
Correct Answer: B
3. Exchange rate fluctuations mainly affect tourism by:
A. Eliminating travel agencies
B. Influencing tour costs and demand
C. Reducing hotel capacity
D. Increasing domestic tourism only
Correct Answer: B
4. Hedging in foreign exchange is used to:
A. Increase currency risk
B. Reduce the impact of currency fluctuations

- C. Eliminate international travel
- D. Increase uncertainty

Correct Answer: B

5. Which of the following is a participant in the foreign exchange market?
- A. Local farmers
 - B. Central banks
 - C. School students
 - D. Domestic retailers only

Correct Answer: B

Case Study for Self-Assessment

Case Study: Managing Foreign Exchange Risk in an Outbound Tour Package

Background

A tour operator in Mumbai launched an outbound tour package to Europe. The package cost was calculated based on the prevailing euro–rupee exchange rate.

Problem Situation

Before the tour commenced, the euro appreciated significantly against the rupee. As a result, the operator's foreign currency expenses increased, reducing profit margins and creating pricing dilemmas.

Stakeholders Involved

1. Tour operator management
2. Tour planners and finance team
3. Tourists
4. Banks and foreign exchange dealers
5. Overseas service providers

Managerial Issues

- Forecasting exchange rate movements
- Revising tour prices or absorbing losses
- Hedging against currency risk
- Communicating price changes to customers
- Financial planning under uncertainty

Relevance to Lesson Concepts

This case illustrates:

- Impact of foreign exchange fluctuations on tour costing
- Role of foreign exchange market in tourism business
- Risk management strategies in tour operations

Analytical Questions

1. Identify the foreign exchange risk faced by the tour operator.
2. Analyse the impact of euro appreciation on tour costing and pricing.
3. Suggest strategies to manage foreign exchange risk.
4. Discuss the role of banks and financial institutions in foreign exchange management.
5. Evaluate the importance of foreign exchange planning in international tour operations.

15.7 Further Readings**A. Text Books**

1. Pilbeam, K., *International Finance*, Palgrave Macmillan, London, 2013.
2. Eun, C.S. and Resnick, B.G., *International Financial Management*, McGraw-Hill, New York, 2018.
3. Madura, J., *International Financial Management*, Cengage Learning, Boston, 2015.
4. Bhatia, A.K., *Tourism Development: Principles and Practices*, Sterling Publishers, New Delhi, 2006.
5. Holloway, J.C. and Taylor, N., *The Business of Tourism*, Pearson Education, Harlow, 2006.

B. Other References

- Reserve Bank of India (RBI) publications on foreign exchange
- IMF and World Bank reports on exchange rate trends
- UNWTO tourism economic reports
- Articles from The Hindu and Economic Times on currency markets

LESSON 16

12
**THE AMERICAN SOCIETY OF TRAVEL
AGENT (ASTA) & FEDERATION OF
INTERNATIONAL YOUTH TRAVEL
ORGANIZATION (FIYTO)****17****Learning Objectives**

After studying this lesson, the learner will be able to:

- Explain the origin and objectives of ASTA and FIYTO
- Identify organisational structures and functions of ASTA and FIYTO
- Analyse the role of international travel organisations in tourism development
- Apply knowledge of global travel associations in travel trade practices
- Evaluate the impact of ASTA and FIYTO on international tourism and travel industry

Course structure

16.1 Introduction

16.2 Objectives of ASTA

16.3 Membership of ASTA

16.4 Role and Functions of ASTA

16.5 Introduction of FIYTO

16.6 FIYTO Associations

16.7 Keywords

16.8 Self Assessment Questions

16.9 Further Readings

16.1 Introduction

It is the leading and largest professional association of the travel trade in the travel and tourism industry. It was established in 1931 as the American Steamship and Tourist Agent Association but In 1945 the association changed its name to 'The American Society of Travel Agent Inc.'

ASTA's present name was adopted to foster programmers for the advancement of the travel industry, promote the ethical practices, and provide a public forum for travel agents. It has

more than 25000 active members which include 1800 active and remaining are allied and associate members.

Active members are travel agencies and tour operators whereas allied and associate members are airlines, hotels, railways, government tourist offices, and government organizations.

Activity 1: Comparative Study Task

Task: Compare the objectives and functions of ASTA and FIYTO.

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Expected Learning Outcome: Understanding of differences and similarities between international travel associations.

16.2 Objectives of ASTA

The main objective of ASTA is the promotion, advancement of the interests of members, safeguarding the traveling of people against frauds, misrepresentation, and other unethical practices. The other sub-objectives are:

- To educate and train members.
- To provide a common forum.
- To organize travel seminars, conferences, and conventions.
- To provide a means of collaboration.
- To publish material relating to the travel industry.

The ASTA has 58 chapters including 28 in the USA and Canada and the remaining 30 chapters are in different countries. These are managed by the elected officers and executive committees. The president and chairman of the board are elected by the members for two years. The day to day activities is administered by an executive vice-president assisted by the professional staff.

16.3 Membership of ASTA

The American Society of Travel Agent (ASTA) is a global organization that plays an important role in the travel and tourism sector. ASTA has more than 25000 members which include 18000 active and remaining are allied and associate members. ASTA is organized and managed under New York State Corporation Law and located in Virginia. Anyone related to the travel and tourism sector can apply for the membership of ASTA. ASTA has two categories of membership. These are following as:



Active Members

Travel and Tourism organizations, firm, and companies which are actively involved in the travel business can become its active member. Travel agencies and Tour operators are the active members of the American Society of Travel Agent (ASTA).

Allied and Associate Members

Those organizations, firms, and companies that are not actively involved in the travel and tourism business but they support in the backend and play an important role as the supplier in the travel and tourism industry. Airlines, hotels, railways, and government organizations are the allied and associate members of the American Society of Travel Agent.

16.4 Role and Functions of ASTA

A professional travel trade organization – ASTA comprises different segments of the industry is playing a pivotal role in the promotion and development of the world's fastest-growing industry. The following point justifies the above assertions:

- ASTA helps in professional and technical assistance.

- It offers a common forum for the exchange of ideas.
- It conducts worldwide market research.
- It helps the governments to formulate tourism policies and strategies.
- ASTA protects tourists from unethical travel trade practices.
- ASTA conduct research, studies, and publicity for the sound development of travel agencies.
- ASTA offers various training and management development programs for senior executives of travel companies.
- ASTA co-operates with all organizations and individuals engaged in tourism activities, designed to enhance the professional standing of the travel industry.

Case Study

Introductory Case Study: Role of International Travel Associations in Standardising Travel Services

Background of the Sector

The global travel industry is characterised by diverse stakeholders, including travel agencies, tour operators, airlines, and tourism organisations. To ensure professional standards, ethical practices, and coordinated development, international travel associations such as ASTA and FIYTO play a significant role. These organisations provide platforms for collaboration, advocacy, training, and policy development in the global travel trade.

Contextual Trigger

With the rapid expansion of international travel and digital platforms, traditional travel agencies faced challenges related to credibility, service quality, and regulatory compliance. Many agencies sought membership in international associations like ASTA and FIYTO to enhance professional standards and global recognition. This trend highlighted the growing importance of international travel organisations in shaping industry practices.

Stakeholders Involved

1. Travel agencies and tour operators
2. International travel associations (ASTA, FIYTO)
3. Tourists and consumers
4. Airlines, hotels, and service providers
5. Governments and regulatory authorities

Managerial and Behavioural Issues

- Adoption of global standards in travel services
- Professionalisation of travel agencies

- Ethical practices and consumer protection
- Collaboration among international stakeholders
- Adaptation to global tourism trends

Importance of the Case for the Lesson

This case demonstrates how international travel organisations influence the structure and functioning of the travel industry. It highlights their role in standardisation, advocacy, and capacity building in tourism.

Linkage to Lesson Concepts

The case relates to:

- Objectives and functions of ASTA and FIYTO
- Role of international travel associations
- Impact on travel trade and tourism development

Activity 2: Application-Based Task

Task: Analyse how membership in international travel associations can benefit Indian travel agencies.

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Expected Learning Outcome: Ability to apply global organisational concepts to local travel trade.

16.5 Federation of International Youth Travel Organizations

Introduction

The Federation of International Youth Travel Organizations was established in 1950. It is an open, world-wide, non-political and non-sectarian travel trade association. They have more than 350 members from 60 countries all over the world. Its goal is to advocate the special identity of young travelers, and their right to flexible, affordable travel and travel related services.

The FIYTO is the world's only membership association and trade forum for youth travel professionals. It is one of the largest and most influential organization in the youth travel industry worldwide. FIYTO collaborates with leading national, official and private tourism organization. It is aimed to enabling its members and the industry's continued growth by providing Business and Trade Networking Opportunities, Marketing Opportunities, Developing and Distributing Key Industry Intelligence, Advocacy for Shaping legislation.

Objectives

- To contribute to the personal and professional growth of Youth travellers and young people.
- To generate positive impact on global community by fostering international understanding, education, cultural exchange and responsible international travel.
- To respond to the challenges of changing market and industry forces and the growing demand for youth travel.
- To promote the development of youth travel organisations in countries where they do not exist and to help strengthen such organisations in countries where development is limited.
- To build a representative and diverse membership and to strengthen the voice of those promoting youth travel.
- To engage in advocacy to facilitate the movement of young travellers, cultural exchange participants.

FIYTO Standards

FIYTO sets and maintain the standards in the youth travel trade. Membership of FIYTO is a mark of credibility and respectability, as only reputable and financially sound companies are admitted.

Categories of Membership

Language travel; Au pair agencies; Accommodation; Tour operators; Adventure travel; Transportation; Homestay providers; Educational travel; Activity holidays; National tourism authorities; Student travel bureaux; Youth hostel associations; Theme parks and restaurants; Technology/communications; Travel insurance; Travel publishers.

Codes of Conduct

FIYTO promote ethical professional behaviour between operators and high quality standards for young travelers. All types of organizations active in the field of youth travel are encouraged to join: non-profit and for-profit; public and private; suppliers and buyers.

16.6 FIYTO Associations

FIYTO has two subsidiary affiliated associations consisting of ALTO (Association of Language Travel Organizations (for language schools and agencies) and International Au Pair Association (IAPA) It was established in 1994 to monitor and improve all aspects of au pair programmes. The FIYTO and the International Student Travel Confederation (ISTC) were formed after World War II to inspire young people through international travel and to help remove cultural barriers. FIYTO is co-host to WYSTC, the World Youth and Student Travel Conference. It is the world's premier travel trade fair for operators in the youth and student travel market. The conference is co-hosted by ISTC, the International Student Travel Confederation. WYSE Travel Confederation was formed in 2006 when FIYTO and ISTC merged to create a stronger united body to represent the global youth travel industry. The Global Youth Travel Awards formally recognize outstanding performers in several fields of international youth travel and reward WYSE Travel Confederation members who contribute so much to industry and community.

Mission

To contribute to the personal and professional growth of students and young people and positively impact our global community by fostering international understanding, responsible international travel, cultural exchange and education.

Activity 3: Reflective Task

Task: Write a short note on the relevance of international travel organisations in the digital age.

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Expected Learning Outcome: Development of critical thinking on global tourism governance.

16.7 Keywords

- FIYTO: The FIYTO is the world's only membership association and trade forum for youth travel professionals.
- ASTA :It is the leading and largest professional association of the travel trade in the travel and tourism industry.

16.8 Self-Assessment Questions

1. Write about the ASTA

2. What are the objectives of ASTA?

3. Explain the functions of ASTA

4. Write about the FIYTO

Self-Assessment Questions

1. Short-Answer Questions (with Answers)

1. What is ASTA?
Answer: ASTA is the American Society of Travel Agents, a professional association representing travel agencies and the travel industry.
2. What is FIYTO?
Answer: FIYTO is the Federation of International Youth Travel Organizations, an international body promoting youth travel and tourism.
3. Mention one objective of ASTA.
Answer: To promote professional standards and ethical practices in travel agencies.
4. State one objective of FIYTO.
Answer: To encourage youth travel and international understanding.
5. Mention two functions of international travel associations.
Answer: Training and advocacy.
6. What is the role of ASTA in travel trade?
Answer: Representing the interests of travel agencies and setting industry standards.
7. What is the role of FIYTO in tourism development?
Answer: Promoting youth travel and facilitating international cooperation.
8. State two benefits of membership in international travel organisations.
Answer: Professional recognition and networking opportunities.

2. Essay-Type Questions (with Hints)

1. Explain the origin, objectives, and functions of ASTA.
Hints: History, mission, organisational structure, activities.
2. Discuss the objectives and role of FIYTO in global tourism.
Hints: Youth travel, cultural exchange, policy initiatives.

3. Analyse the importance of international travel associations in tourism industry.
Hints: Standardisation, advocacy, capacity building, global cooperation.
4. Compare ASTA and FIYTO in terms of objectives, membership, and activities.
Hints: Scope, target groups, functions, impact.
5. Evaluate the challenges and future role of international travel organisations.
Hints: Digitalisation, global competition, sustainability, regulation.

3. Analytical MCQs

1. ASTA primarily represents:
A. Airlines only
B. Travel agencies and travel professionals
C. Hotels only
D. Government departments
Correct Answer: B
2. FIYTO focuses mainly on:
A. Luxury tourism
B. Youth travel and cultural exchange
C. Corporate travel
D. Domestic tourism only
Correct Answer: B
3. International travel associations contribute to tourism by:
A. Eliminating competition
B. Promoting standards and professional practices
C. Reducing international travel
D. Limiting tourism growth
Correct Answer: B
4. Membership in international travel organisations helps travel agencies to:
A. Reduce credibility
B. Enhance professional recognition
C. Eliminate training
D. Avoid networking
Correct Answer: B
5. A major function of ASTA is:
A. Operating airlines
B. Advocacy and representation of travel agencies
C. Managing hotels
D. Controlling government policies
Correct Answer: B

Case Study for Self-Assessment

Case Study: Enhancing Professional Standards through International Association Membership

Background

A mid-sized travel agency in India sought to improve its credibility and service quality in the international travel market. The agency considered joining international travel organisations such as ASTA and FIYTO to gain global recognition and access to professional resources.

Problem Situation

Although membership promised several benefits, the agency faced challenges related to compliance with international standards, membership costs, and organisational restructuring. Management had to decide whether the long-term benefits justified the investment.

Stakeholders Involved

1. Travel agency management
2. Employees and travel consultants
3. Customers
4. International travel associations
5. Industry partners

Managerial Issues

- Cost-benefit analysis of membership
- Adoption of international service standards
- Organisational change management
- Strategic positioning in global market
- Professional training and development

Relevance to Lesson Concepts

This case illustrates:

- Role of ASTA and FIYTO in professionalisation of travel agencies
- Strategic importance of international travel associations
- Impact of global standards on travel business

Analytical Questions

1. Identify the potential benefits of joining ASTA or FIYTO for the travel agency.
2. Analyse the challenges associated with membership in international travel organisations.
3. Suggest strategies to maximise the benefits of association membership.
4. Discuss the role of international travel associations in improving service quality.
5. Evaluate whether membership in ASTA or FIYTO is a strategic necessity for modern travel agencies.

16.9 Further Readings**A. Text Books**

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B. Other References

- Official publications and reports of ASTA and FIYTO
- WTO reports on international tourism organisations
- Ministry of Tourism, Government of India publications
- Articles from The Hindu and Economic Times on global tourism trends

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