



**MTTM-04**

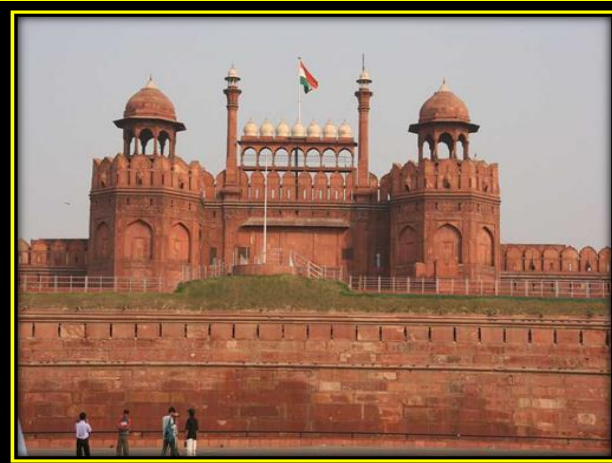
**Uttarakhand Open University  
Haldwani**

**Department of Tourism**

**School of Tourism, Hospitality and Hotel Management**

**Master of Tourism and Travel Management**

**Travel Agency Management  
and  
Tour Operations Business**





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(MTTM-24)**

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and  
Tour Operations  
(MTTM-04)**



**Department of Tourism  
School of Tourism, Hospitality and Hotel Management  
Uttarakhand Open University  
Haldwani (Nainital)**

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**UNIT-1**  
**Travel Agency and Tour Operation Trade:**  
**Origin and Development**

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**Structure:****1.0 Objectives****1.1 Introduction****1.2 An Overview of Role of Travel Agency and Tour Operation****1.2.1 Pre-Independence Period****1.2.2 Post Independence Period****1.2.3 Post Liberalized Period****1.3 Travel Intermediaries in India****1.4 Changing Roles of Travel Agents and Tour Operators****1.5 Current Scenario of Indian Tourism****1.6 India's Outbound and Inbound Growth****1.6.1 A Case Study of Kuoni****1.7 Tourism Awards to Travel Agents and Tour Operators****1.8 Indian Tourism Offers New Business Opportunities****1.9 Role of TAAI and IATO****1.10 Summary**

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**1.0 Objectives:**

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After reading this unit, you will be able to:

- Discuss the evolution of the travel agency and tour operation business in India.
  - Describe the changing functions of travel agency and tour operation during the post-independence period in India.
  - Explain the pre and post-liberalized period business scenario of travel agency and tour operation in India.
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- List the issues and challenges of the travel agency and tour operation in the new century.

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**1.1 Introduction:**

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The role of travel agency in the promotion of tourism in India is very crucial in the new millennium. Travel intermediaries play a very significant part in the development of the Indian tourism industry. In the previous unit, you have learned about the history of travel agency and tour operation. In this unit, we shall study the growth and development of travel agency and tour operation from the Pre-independence period to the post-independence period and post liberalized period. We shall also discuss in detail the current scenario of Indian tourism, India's outbound and inbound growth and the role of TAAI and IATO.

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**1.2 An Overview of Role of Travel Agency and Tour Operation:**

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In today's volatile market, travel organizations work towards showcasing India's rich tourism heritage in the form of designing organized package tours for the inbound, outbound and domestic tourists. International travel organizations like Thomas Cook, American Express and Cox and Kings are the forerunners of the travel agency and tour operation business. Those travel agencies are responsible to bring this idea to the limelight and in the subsequent period, travel agencies in various countries started their operation on the line of them. Unlike the travel intermediaries in European countries, India's travel trade sector did not witness any such development in the pre-independence period and then in the post-independence period, some measures were initiated by the central government that became favourable for travel agents to expand the scope of their activities and business scenario.

The role of the travel agents is not limited merely to sell travel-related services but often also in taking considerable interest in promoting tourism destinations.

The growth and development of travel agency were not remarkable in the first phase of the post-independence period. Afterwards many actions were taken to increase the share of India's position in the international tourism scenario and travel originations were largely benefited from the increasing flow of tourist traffics to India. There has been a paradigm shift in the travel trade in the second phase of the liberalization in India and travel organizations have got the business diversified to target the growing outbound and domestic tourism market in India.

Travel agents are solely indulged in marketing the concept of travel and plan and sell holiday trips and ancillary services to individuals and groups. Travel agents do book tickets for air, rail, sea or road travel, arrange hotel reservations or guest houses, hire taxis etc. Besides domestic, all travel agents undertake international bookings and special business tours or conferences. On the contrary, tour operators are mostly involved in bulk travel arrangement and management for individual and groups. It is recognized as principal-agent or wholesaler and offloads business to the ground handling agents. Tour packages are mostly promoted by the tour operator through the travel agents. Tour operators can offer special packages that include such diverse attractions as deep-sea diving, snorkelling, Himalayan trekking or even camel safaris in the Thar Desert.

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**1.2.1 Pre-Independence Period:**

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The evolution of modern travel agency and tour operation in India is not as old as the flourishing travel agency business in Europe and North American countries. As there was no such formal and organized form of travel-related services, overseas travel agents exploited the vast potential of inbound travel markets of India. The framework of modern travel agency business in India was designed on the line of function and activities of the earliest group of travel agencies like Thomas Cook, Cox and Kings and American Express. Those two

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UK based travel agents were well-experienced to conduct the world tour and special interest tours to different parts of the world and more particularly, package tours were regularly conducted to India for British officials and their family members and relatives. It was the maiden attempt of Thomas Cook to take a pioneering attempt in commencing the package tour to India during the visit of Queen Victoria to Kolkatta after the end of the Sepoy Mutiny in 1858. The success of the tour had made much impact in terms of safety and security in India. Subsequent improvement of sea-route connectivity between India and Europe opened a new avenue for providing safe, comfortable and affordable journey. It was a matter of renewing relationships between the uprooted families of British officials living in Europe and their counterpart living in India. Therefore, the prevalence of travel brought people of India and Europe together. In 1878, Mr. Cook brought the first British Group of tourists to India by taking support of the Peninsular and Oriental Steamship Company. The group landed in Mumbai, travelled to Agra by train to see the Taj Mahal. In the final leg of the tour, the group visited Kashmir valley. The tour turned to become very successful and Mr. Cook gained the confidence to set up offices in India. In the beginning, Thomas Cook and Sons International (Ltd.) continued the inbound operation in India with its main branches and offices in metro cities. In 1880, Thomas Cook and Sons established offices in Mumbai and Kolkatta as those two provinces were regarded as significant hubs of trade and commerce. Considering the huge demand of royal families, the Eastern Princess Department was also established in 1887 and that resulted in the rise of outbound travellers to Europe. Thomas Cook took much care and interest to arrange the sophisticated tour for India Princess to Queen Victoria's Jubilee Celebration. The outcome of the tour brought about drastic changes in the perception of elite class people in India to plan leisure trips to Europe.

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A large chunk of the British, the French and other European nationals had a much greater interest to meet their friends and relatives in India and vice versa. Many Europeans wished to undertake travel through sea routes to India for visiting selected tourist places of interest such as the Taj Mahal, Jammu & Kashmir, Shimla, Goa, Ajanta & Ellora, hill stations and beach resorts. The unique attractions of India were blended with unprecedented and exceptional history, exquisite art, architecture and sculpture, natural scenic places above all, a land of wonders. It is relevant to mention that it was Thomas Cook who opened opportunities for taking travel to India and more particularly, the company ensured travel to all places by multiple modes of transport.

In the later period, people from other parts of Europe were motivated by the attractive and well-organized package tours to India. A large number of people in Europe had many fascinating perception and feelings about India and its cultural and natural wonders. Towards the middle of the 19th century, a sizable number of young Indians sailed particularly to England for pursuing higher study and appearing civil service examination and in the later periods, Indian political leaders travelled to England to participate in several round table discussions on the solution for socio-economic and political issues.

More particularly for the British nationals, Thomas Cook got involved more actively in the inbound operation to India for a long period. Thomas cook used to book train tickets, reserve government-run guest houses, arrange small car, mini coach, book horse carts and animal-driven carts to transfer the tourists from the railway station to their places of stays and followed by conducting sight-seeing tour in and around the places. Thomas cook used to face the following obstacles for conducting tours in India

- Lack of amenities and facilities such as road, bridges, railway stations, accommodation, money exchanger, public toilets.

- Lack of trained tour conductors, guides, escorts and interpreters.
- Untrained staffs in the guest houses and other eating places.
- Cab drivers without having essential attributes worked for the travel agents.

Thomas Cook and other contemporary travel agencies were also confronted with certain issues related to service factors. The factors which were partly responsible for the depletion of the service quality are as follows;

- Travel agents were not properly manned by qualified and trained manpower.
- Lack of technology was a vital bottleneck in the growth of the travel agency business.
- Lack of credit facility to the travel agent for the reservation of hotel rooms and airlines tickets.
- Lack of diversification of business was also an important factor that narrowed the scope of the expansion of opportunities for the generation of revenue.
- Lack of promotional measures was also another pertinent factor to ensure a higher growth rate in the travel agency sector.

Unlike in Europe, the Indian railway's system was much underdeveloped in the context of integration with the travel agents and tour operators in the promotion of inbound and domestic package tour. The issue has not been addressed fully as yet. In a similar instance, the airlines had a limited role to work with travel agents and at the same time, there was not much airlines connectivity with India. Because airlines were generally operated within the domestic sky and countries did not venture for linking airline services beyond the boundary of the country for two important reasons like political turmoil and low engine capacity for long haul journey.

The Indian Travel Agencies like Jeena & Co., Lee & Muirhead India Pvt. Ltd and Jamnadas & Co. Ltd located in Mumbai and operated inbound and outbound tours ventured into the so-called sophisticated travel business. Meanwhile,

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Thomas Cook and American Express Co. were uploading the inbound package tour business through Jeena & Co. and other contemporary travel agencies. Howsoever it might be the business scenario, Mr. J. N Katgara joined the travel agency club in the world as the pioneer travel agent in India. In 1920 the first travel agency was founded in the name of Jeena and Company to cater to the domestic travel needs and the operation of the company was mostly serving the demand of Mumbai. As the cosmopolitan city was a major and busy port not only for arrival and departure of passengers but also for the goods and the inflow of foreigners to India was possible. Major trading centres were located in and around Mumbai. Mr. Katgara capitalized on the opportunities of the volume of business and started looking into the cargo and courier business in the beginning and the due course shifted to other components of travel-related services like ticket booking, hotel reservation, package tour, transport arrangements, etc. The company along with other travel agents underwent massive reformation and development in the post-independence period.

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**Check Your Progress:**

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Answer the following questions.

- 1. Write five lines on the growth and development of the travel agency in the pre-Independence period.**

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- 2. Write five lines on the major issues of travel agency business in the pre-Independence period.**

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Check your answer with the one given at the end of the unit.

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**1.2.2 Post-Independence Period:**

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Even before world war -II, the importance of tourism was well recognized as a critical segment of the economy. The outbreak of war stalled the progress in the direction of tourism. The post-independence tourism development and its bearing on the travel trade in India unveiled a new chapter in the annals of the Indian tourism scenario. The great concern showed by the then colonial government to appoint a committee headed by Sir John Sargent in 1945 was a major step forward to fathom the potentials of tourism products dotted across the country. After a thorough investigation, the committee duly figured out the potentialities of developing tourist traffic in the country. The committee is one of its suggestions mentioned the development of means of travel from the nearest railway station, residential accommodation, travel brochures and guide books, provision of authorized guides, etc. that should be provided at places both for the domestic visitors and foreign visitors. The resultant impact was the formation of a separate Tourist Traffic Branch under the Ministry of Transport in 1949 to deal with the task of increasing tourist traffic to India. The tourist traffic section has mostly entrusted with the charge of coordinating with the travel agencies and tour operators in India and overseas to augment the internal and external tourist traffic. It also dealt with internal conferences on tourism, coordination

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with railways, the establishment of tourist bureau in States and development of tourist centres and the training of guides. Another most important action was taken to open a chain of tourist offices both in India and abroad and Regional Tourism Offices were also opened in Delhi, Mumbai, Kolkata and Chennai.

The tourism offices located at different regions and destinations coordinated and controlled various segments of travel trade and ensured that the foreign tourists would get various services at a reasonable cost and would not be hassled at any cost. There was a great leap forward when the operation and functioning of eighteen overseas tourism promotion offices formally started to display the tourism potentials of the country. Those offices were based in countries and regions from where the maximum inflow of foreign tourists to India was originated. As a result, overseas tour operators were encouraged to design itinerary and package tour for India and at a regular interval, local and regional tour operators held meetings with India's overseas tourism promotional offices and sought all kinds of suggestions related to the operation of tours, booking of hotels, safety and security. Foreign tour operators were also encouraged to participate in the familiarization tour program in India and overseas tourism offices and Air India hosted the tour to introduce those places of interest to them. Both tourism offices in India and abroad were equipped with colourful brochures. Foreign tour operators were enthused to promote package tours to India and there was a steady increase in the tourist traffic to India. In 1950, 17 thousand foreign tourists visited India when there were no such overseas promotion offices or any promotional measures taken for the increase of inbound tourist traffic.

The Travel Agents Association of India (TAAI) was formed towards the end of the year 1951 by a group of twelve leading travel agents, who felt that the time had come to create an Association to regulate the travel industry in India. The

primary purpose was to protect the interests of those engaged in the industry, to promote its orderly growth and development and to safeguard the rights of the travelling public. TAAI represents all that is professional, ethical and dynamic in our nation's Travel related activity and has been recognised as the voice of the Travel and Tourism industry in India. With a membership database of over 1800 Active; Allied and Associate members comprising of IATA accredited Travel Agencies; Airlines & General Sales Agencies; Hotels and Tour operators; TAAI is the largest Travel Association of India.

The travel agency and tour operation business in India was relatively in the preliminary stage in the first phase of independence. Even after also, there was hardly any travel company with full-fledged facilities. With the setting up of the Travel Agents Association of India (TAAI) in Mumbai in 1951, the travel business in India started in an organized manner. The Jeena and Company, the first Indian Travel Agency organized group tours abroad and in India for Indian travellers and it handled the first group of foreign tourists in 1950. However, Jeena and Company and the other two Indian Travel Agencies were merged into one composite travel company known as Travel Corporation of India Ltd. (TCI) in 1961.

Moreover, the bulk of International tourists were then handled by Thomas Cook and Sons and The American Express. Followed by the growth, there were a good number of travel companies established in India such as SITA (1963), Thomas Cook India Ltd. American Express, Cox and Kings, India Travel and so forth. As per the Foreign Exchange Regulation Act (FERA) 1973, Thomas Cook India (Ltd.) was established under the Companies Act 1956 in 1978.

The Asian Games were hosted in 1952 in India made a significant impact on the inbound traffic to India. The scenario of travel trade stimulated by promotional measures underwent a remarkable change due to the rising number of tourist

traffic. From 1951 to 1961 travel agencies were banking on airlines tickets and inbound operations to limited destinations. Travel agents started operating at Delhi and other destination points like Agra and Jaipur. More particularly travel agencies were resorting to the ticketing business and inbound tours to the golden triangle circuit. Travel Agencies were facing a shortage of transport fleets to conduct sightseeing tours in the cities. There were no such means to arrange different transports to conduct sightseeing tours in the lesser-known destinations. It was certainly a challenging moment for travel agents who had a business plan to handle additional demand for the operation of the package tour. In those times, travel agencies had to take much time to confirm the booking of hotels, transports, train tickets, guide services and other ground arrangements to the clients. Scope of business was not expanding owing to have a limited operational network. The concepts of the tour through ground handling agents were not fully known as there were very limited professionally skilled people to take the responsibility of handling the tours. Presently, there are around more than a thousand travel agencies and tour operation companies on the approval list of the Department of Tourism, Government of India. . These are located in over 50 cities of the country and many have promotional offices abroad. In addition to this, there is a large number of non-recognized travel agencies scattered all over the country. In India, there are more than 400 travel agencies that have been approved by the IATA and a number of them have more branch offices.

Following the report of the ad-hoc Committee on Tourism documented by the Jha Committee in 1963, that recommended the role of the public sector in the promotion of tourism. Along with the other two corporations, India Tourism Transport Undertaking was set up in 1965 later it merged with the other two tourism public undertaking subsidiaries of the Government and gave birth to

India Tourism Development Corporation (ITDC) in 1966. ITDC was, in the beginning, fully geared up with the plans and programs to develop new infrastructure and strengthen the existing facilities, resultantly, many such hotels were constructed at popular tourist destinations and luxury transport facilities were also provided to the tourists. The construction of hotels at many key destinations catered to demand accommodation and restaurant facilities, which enhanced the total hotel room capacity and ITDC associated travel agents and tour operators for the booking of rooms based on commission. Overseas tour operators were completely apprehensive about the availability of rooms and other facilities and amenities in the destinations. When ITDC hotel properties came up, subsequently after, the apprehension was removed by the establishment of ITDC properties. There was a surge in tourist traffic to India. The fact remains that rooms, other facilities and amenities of ITDC hotels were at par with the international star hotels that provided a kind of impetus and confidence to Indian tour operators and foreign tour operators to conduct package tours. As the quality of rooms and transports are two significant components in the package tour, so when those facilities were plentifully available at the places of tourist interest, it is obvious that there were many tour operators shown their interests to organize tours in India. Thus, the number of travel agents and tour operators went on increasing and the business was treated to be feasible and profitable. When accommodation and transportation capacity were somehow manageable, overseas tourist promotion offices took initiatives to showcase India to Europe in 1968 on a mass scale by launching a promotional campaign in a very grand way. With the exposure of introducing India to Europe campaign, the strategy for marketing India's tourism overseas underwent a significant change. In the later period, the scheme was extended to the UK in 1970 and the USA in 1971. However, overseas tourism promotion was jointly

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sponsored and organized by the Department of Tourism with Air India's active participation and support. All those efforts were translated into tangible results. The tourist arrivals registered a growth from 17, 000 in 1950 to 188,820 in 1968. From the year 1965, there has been a constant increase in the number of tourists visiting India and International tourists arrivals also increased to 1329950 in 1990. The share of India in the World tourism receipts has been varying between 0.64 per cent in 1991 to 0.38 per cent over the last few years.

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**Check Your Progress-II**

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Answer the following question.

- 1. Write five lines on the growth and development of the travel agency in the post-Independence period.**

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- 2. What are the major issues affecting the growth and development of travel agency in the post-independence period?**

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Check your answer with the one given at the end of the unit.

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**1.2.3 Post-Liberalization Period:**

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The expansion of business opportunities for travel agency and tour operators depends on the active role of the governments to formulate certain strategic objectives for the tourism development of the sector. These strategies comprise five key actions such as to position tourism as a national priority, enhance India's competitiveness as a tourism destination, improve and expand product development, create world-class infrastructure and draw up effective marketing plans and programmes. This growth-oriented strategy indicates a vast of opportunities for travel agents and tour operators. While travel agents are profiting from the tourist boom in the past couple of years, a number of them also feel threatened and are worried about the future. Commission cuts by airlines and the rapid technological advancement, especially the increasing penetration and use of the Internet has forced the travel agents community to rethink their business models and strategy for not just growth but their survival in the future. Airlines and hotels have turned away from intermediaries in the past couple of years, preferring to invest heavily in their corporate sites and offer best-rate guarantees in an attempt to woo e-tourists. In face of these commission cuts, the main income generator, many travel agents are attempting to diversify their operations by providing other services and also remodelling themselves as travel consultants, a makeover, which happened in the developed markets quite a while ago. Another recent trend, which is hitting the small-time travel agents hard, is consolidation in the travel distribution network that has significantly reduced the number of travel agencies.

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Currently, the Indian travel industry is in the midst of a transition towards becoming a mature market and the keywords for all stakeholders are adaptation and innovation. One way towards the future is adopting the idea of the service fee. This practice highlights the advisory role of the travel agent as a professional or a consultant where clients pay for the agent's expertise instead of suppliers having to pay a commission. The role of a consultant dovetails nicely with the trend towards customized travel. Indian tourists today are well travelled and want to enjoy a certain freedom. They want to go beyond the beaten path, yet enjoy the benefits of hassle-free planning and expertise proffered by a travel agent. This means that agents must have the flexibility needed to offer customized travel products. Apart from changing their business models to meet the challenges of the future, travel agents and tour operators also have a wider and important role to play in the development of tourism. They can coordinate with the Ministry of Tourism and other related central and state ministries in their endeavour to improve facilities, guaranteeing the safety and security of tourists and disseminating information.

Besides this, travel agents and tour operators also need to establish channels of communication and liaison with the department of tourism, state and other public and private bodies and take all necessary steps to promote and develop tourism in India, while also promoting environmental protection, cultural exchange and national integration. The challenge for the travel agent and tour operator community is also to formulate a uniform code of conduct to govern the procedure of booking, confirmations, payments, refunds, cancellations, no-shows, changes, preponements and postponements, retention charges, commission and discounts.



**1.3 Travel Intermediaries in India:**

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To encourage quality standards and services, the Ministry of Tourism approves travel agents, tour operators, tourist transport operators and adventure tour operators in the country. As of 31st Dec.2003,186 travel agents,340 tour operators, 154 tourist transport operators and 13 adventure tour operators are registered with the Ministry of Tourism. Rank wise distribution of these units is given in the table below: 1

**Table-1 Tour Operators in India**

<b>Sr. No.</b>	<b>State/ UT Name</b>	<b>No. of Tourist Transport Operator (s)</b>	<b>No. of Travel Agencies</b>	<b>No. of Tour Operators</b>	<b>Adventure Tour Operators</b>	<b>Total</b>
1.	Delhi	64	85	238	11	398
2.	Maharashtra	11	40	30	0	81
3.	Tamil Nadu	18	20	8	0	46
4.	Kerala	17	12	14	0	43
5.	Karnataka	10	11	4	0	25
6.	Rajasthan	6	6	11	0	23
7.	West Bengal	0	10	9	0	20
8.	Uttar Pradesh	5	4	5	0	14
9.	Andhra Pradesh	6	2	0	0	8
9.	Goa	2	1	4	1	8
10.	Haryana	0	0	7	0	7

**Source:-**Tourist Statistics, 2003, Department of Tourism, Govt. of India.

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**1.4 Changing Roles of Travel Agents and Tour Operators:**

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Traditionally, in the Indian market, the travel agent acted as an intermediary that brings travel products to the end consumer. Travel agents used to receive a base and override commission. Pay-for-performance override commissions are now typically only available to large travel agents. The bigger the travel agency, the more sales can be drawn to the airline paying the override. This revenue stream is generally not available to the small travel agents, who do not have a significant impact on an airline's market share. With the airline commissions diminishing fast, the agents who survive and grow will be those who embrace technology and implement alternative revenue streams and service fee concepts. Apart from ticketing, travel agents are beginning to offer services like travel insurance, hotel bookings. Although package tours remain an industry staple, tour operators will need to develop more flexibility in the creation of holiday packages to serve the growing self-service segments. Whether catering for the inbound, outbound or domestic markets, tour operators seem to have been the most forward-thinking in their efforts to innovate in their products and services.

Thomas Cook India has recently decided to focus strategically on the travel business for augmenting future growth, which includes hiving off financial services into a separate outfit. KUONI travel company SOTC outfit in India is looking for mergers and acquisitions for SITA-Inbound Division in terms of specialized markets like adventure tourism, incentive tourism and convention tourism. The travel business in India is segmented into a) leisure; b) business; c) inbound and domestic; and d) employment/migrant travel. Business travel has stabilized at a growth rate of 10-15 per cent per annum. With increasing disposable incomes and lower costs, leisure travel -- both domestic and, to a larger extent, outbound travel -- is experiencing an upward trend at 30 per cent.

Inbound travel is still fraught with infrastructural problems. SITA Inbound is growing at 15 to 20 per cent per annum. The formula for a merger is that the merging companies should have a product fit, a price fit and a people fit.

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**1.5 Current Scenario of Indian Tourism:**

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Indian Tourism is identified as a significant engine of economic growth. According to the World Travel and Tourism Council (WTTC), India's Travel and Tourism (T&T) industry contribute 2.1 percent to Gross Domestic Product in 2006 (INR 713.8 billion or US\$16.3 billion). In the first half of the Annual Plan period of 2006-2007, the Ministry of Tourism has taken several initiatives in the field of infrastructure development and positioning Indian tourism as a major engine for economic growth. These include an emphasis on developing the existing and new destinations to world-class standards, improvement of connectivity to important destinations and identification of 10-15 new destinations/ circuits by each state/UT for development to world-class standard with all the required infrastructure components. The fastest-growing distribution channel, the Internet is generating annual bookings upwards of US \$35 billion in the US alone. In 2005, 25 per cent of all hospitality revenues globally were Internet-generated, and in 2006 this figure is expected to reach between 27 and 29 per cent.

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**1.6 India's Inbound and Outbound Growth:**

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The outbound market is surging ahead due to the drastic fall in the international airfares, liberal open sky policy, increasing disposable incomes of consumers and aspiration to travel abroad increasing, As for the inbound traffic, India has a bright future to look at. The recent government initiatives such as the Incredible India campaign, *Athithi Devo Bhava* campaign and Lonely Planet rankings etc have made India a very popular country. The FIT market is growing at a rapid pace and the profit margin varies between 70 per cent and 80 percent.

India expects about five million overseas visitors this year, as outsourcing cities like Bangalore and Hyderabad draw more business travellers. The government is trying to improve airports in New Delhi and Mumbai, two of the busiest airports, through private participation. The modernization of airports and licenses for new budget airlines are part of the government's effort to attract more travellers to India. World Travel & Tourism Council of London expects India to be the third-fastest expanding tourism market in the next decade. The entry of new airlines has pushed down fares by about 25 per cent in two years. Indian hotel companies added 1,200 luxury rooms in 10 cities and vacation destinations like Goa, taking the five-star category of accommodation to 24,000 rooms by the end of 2006.

The addition of hotel rooms coincided with the increasing frequency of flights by British Airways, Lufthansa, Singapore Airlines and Qatar Airways mainly. International passenger traffic at Indian airports rose 17 per cent to 19.41 million in the year 2007. Existing travel agencies are being replaced by self-serve travel Web sites on the Web and thus facing the following challenges.

- Revenues from ticket sales are shrinking
- Profitability is becoming harder to maintain.
- Middle and upper-class travellers require more services than bargain travellers.
- Middle and upper-class travellers will pay fees for services that go beyond issuing tickets.

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**1.6.1 A Case Study of Kuoni: You Look at the World. We Look After You:**

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Kuoni-India's key Outbound Division operates under the name of SOTC is the country's largest outbound tour operator. SOTC has escorted over 350,000 travellers across the globe to various destinations including Europe, Australia, New Zealand, the USA, Africa, Mauritius, South Asia, and the Far East. SOTC

has a wide distribution network of 130 sales outlets across India to retail its range of products and serve its customers better. The flagship brand of SOTC pioneered the designing and marketing of escorted tours to cosmopolitan travellers in India. Sports Abroad provide global sports-based holidays whilst Student Holidays strives to enrich the educational environment through travel and fun-filled experiential learning. SOTC Do-It-Yourself Holidays provides customized fully flexible holidays that cater to seasoned travellers. SOTC is also known for the domestic holiday brand which offers a wide range of organized domestic travel options across India, namely, Classic Holidays, Fun-filled Beaches, Hill Stations, Wildlife Holidays and Spiritual

The outbound travel division of Kuoni (India) has a 66 per cent share in the outbound travel business in India. At least 60,000 to 70,000 Indians visit international trade fairs every year and small and medium entrepreneurs consider such visits as a business investment. Germany organises the largest number of these trade fairs, followed by Italy (Milan), China, France and Japan. The major trade fairs in Germany often attract 1.5 lakh visitors every year. The leading source of India's outbound travellers is Delhi and it shares covers somewhere at 26 per cent.

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**1.7 Tourism Awards to Travel Agents and Tour Operators:**

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The Ministry of Tourism, Govt. of India gives away the National Tourism Awards to the tour operators such as inbound operators, adventure tour operators, domestic tour operators, MICE operators, Most Innovative Tour Operator and Tourist Transport Operators based on their foreign exchange earnings and innovation in promoting.

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**1.8 Indian Tourism Offers new Business Opportunities:**

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Travel agents and tour operators can take the advantage of emerging tourism areas like Medical Tourism, Rural Tourism, Cruise Tourism and Convention Tourism. The following key areas of tourism can be tapped in the future course of time by the travel agents and tour operators.

- The ministry of tourism has taken several initiatives and actions like road shows and publication of brochures, in association with the tour operator, travel agent, hotels, airline companies and private ultra-modern hospital in the private sector, to promote India as a destination for medical tourism and make it a global health destination.
- A concept of rural tourism has been developed for showcasing the art, crafts and culture of rural India and for creating gainful employment in villages with tourism potential.
- India has a vast and beautiful coastline and hence the potential to develop cruise tourism.
- India is undoubtedly a unique Conference Destination as it offers cultural and heritage sites, the exotic and mystical, excellent facilities of beach and adventure holidays which can be combined as pre and post-conference tours. International convention Centres of the global standard is considered to be one of the important segments for promoting India as an attractive tourist destination in the global market. Ministry of Finance, Govt. of India has already identified New Delhi, Mumbai, Bangalore, Goa and Jaipur for the opening of world-class convention centres. Several initiatives have been taken up by way of public-private partnerships to develop small convention centres of a high standard.

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**1.9 Role of TAAI and IATO:**

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TAAI strives to build in its constituents and others with several a commitment to contribute largely to the growth and development of the tourism industry in India. There are certain roles of TAAI which will bring in changes in the travel trade sector in the country. Thus, TAAI has set some important objectives such as the delivery of the highest service, build trust and credibility in the marketplace and apply technical skills.

The Indian Association of Tour Operators (IATO) was established in 1982 and its head quarter is located in Delhi. It is the national apex body of the tourism industry. It has over 4000 members covering all segments of the Tourism Industry. Established in 1982, IATO today has international acceptance and linkages. It has close connections and constant interaction with other Tourism Associations in the US, Nepal and Indonesia, where USTOA, NATO and ASITA are its member bodies; and is increasing its international networking with professional bodies. Indian travel agents and tour operators have certain significant infrastructure limitations such as clogged and creaking airports, ageing air traffic control systems and a chronic hotel shortage, combined with slow and cumbersome bureaucracy are threatening to slow down India's ascension.

Travel and tourism as an industry has been slow to take off in India, as compared to the tiger economies of Southeast Asia, it has only been in the last two decades or so that this sector has witnessed massive expansion and improvement. Though its growth rate is still lower than many smaller countries in the region, the industry is emerging as one of the largest foreign exchange earners, providing direct employment to more than 80 lakh people.



**Check Your Progress - III**

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Answer the following questions.

- 1. Write five lines about the impact of globalization and liberalization on the development of travel agencies and tour operations.**

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- 2. Write five lines on the role of travel associations in the growth and development of travel agencies in the post-liberalisation period.**

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**Check your answer with the one given at the end of the unit.**

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**1.10 Summary:**

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The travel industry has seen phenomenal growth in the ear of globalization and liberalization. Modern Travel agencies in India have evolved through various stages and contributed immensely to the Indian tourism sector. The size of the

travel market was relatively small and the numbers of travel agencies were also very limited. It is the Travel Agents Association of India in the beginning and in the later the Indian Association of Tour Operators strived relentlessly to give a face shift to the travel industry by bringing all travel intermediaries to a common platform to discuss issues about the growth and development of tourism industry. Travel agencies have seen buoyant growth in the post-liberalization period.

In this unit, you read about the beginning period of the travel agency business in India. The unit also throws light on various issues, which mostly obstructed the growth of the travel agency business in India. Moreover, this unit has also gone further into clarifying details about the role of public sector undertakings in tourism and travel agencies have been greatly supported with the building of infrastructure at the tourism places of interest and port of entries. In this context, the unit also underlined the importance of tour operators in the promotion of inbound and domestic tourism in the country. Furthermore, this unit discussed the growth of outbound tourism as to how the boom of outbound travel would be sustained and captured in the foreseeable future.

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**1.11 Answer to Check Your Progress:**

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**Check Your Progress-I:**

1. Your answer should include major benchmarks in the development of travel agencies in the pre-independence era in India. (See subsection 1.3.1)
2. You should include major issues in the travel agency business in the pre-independence period. (See section 1.3)

**Check Your Progress-II:**

1. You should include in your answer major highlights in the post-independence period. (See Section 1.3.2)
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2. The answer should include major issues which affect the growth of the travel agency business. (See section 1.3.2)

**Check Your Progress-III**

1. For answers please refer to sections 1.5 to 1.7
2. For answer please refer to section 1.10

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**1.12 Suggested Readings:**

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Source: Asia Pacific Journal of Tourism Research, Vol. 11, No. 4, December 2006, Distribution in Emerging Tourism Markets: The Case of Indian Travel to New Zealand by Shalini Sharda and Douglas G. Pearce

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**1.13 Review Questions:**

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- Explain the role of travel intermediaries in the promotion of tourism in India?
- What is the current scenario of Indian tourism?
- Discuss in detail the role of TAAI and IATO?
- What are the various new business opportunities offered by Indian tourism?
- Write a short note on the success story of 'Kuoni'.

**UNIT-2**

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## Meaning and Definitions of Tour Operators and Travel Agents and Differentiation between them

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### Structure:

2.0 Objectives

2.1 Introduction

2.2 Tourism and Hospitality industry- an overview.

2.3 Travel Trade intermediaries

2.3.1 Travel Agents- Origin and Meaning

2.3.2 Tour Operators-Meaning and definition

2.4 Functions and role of Travel Trade intermediaries in hospitality management

2.5 Summary

2.6 Glossary

2.7 Review Questions

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### 2.0 Objectives:

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After reading this unit you will be able to:

- Explain the overview Tourism and Hospitality industry;
- Describe the Origin and Meaning of Travel Agents;
- Discuss the meaning and definition of Tour Operators;
- Elaborate the Functions and role of Travel Trade intermediaries in hospitality management

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### 2.1 Introduction:

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In the previous unit, you have learnt about the origin and development of the travel and tour operations and now it is clear that a travel agency works as retailer (travel agent) as well as wholesaler. In fact, due to the structure of the tourism industry, a Travel intermediary (travel agency or tour operator) performs multiple functions. In this unit, we will understand the meaning,

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concept and functions of travel intermediaries and their role in hospitality management.

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**2.2 Tourism and Hospitality Industry- an Overview:**

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The Indian hospitality industry is a significant growth area employing over 20 million people accounting for 8.5% of the total workforce. The industry operates in a wide range of sectors: Its activities have a profound impact on the daily life of almost every member of society. The hospitality industry provides food, beverage and accommodation to meet the needs of international as well as domestic tourists besides catering for the requirements of sports centres, leisure centres, clubs and so on. There are more than 3.50 lac catering outlets in the country serving over 15-20 million meals a year and earning more than 5 million every year.

In 2007, tourist arrivals in the country crossed the 4 million mark for the first time with a total number of visitors of 4,867, 980 and are expected to increase to 5.62 million by the end of 2010. There was a continuous increase in arrivals throughout the year and in all, a 23.5% growth was recorded in comparison to 2006. The growing trend has a profound impact on the development of the hospitality industry. This has increased the demand for more professionals i.e. travel intermediaries

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**2.2 Travel Agents:**

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A travel agent is a person who works in a travel agency and offers tour packages, tickets (airlines, train, bus & cultural events) and necessary documents to a person who is willing to travel to a destination.

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**2.2.1 Origin and Meaning:**

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The history of the Travel Agent business can be traced back to over 165 years to Thomas Cook, who while travelling from Derbyshire to Leicester thought of an

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idea regarding 'engaging a special train to carry the friends of temperance from Leicester to Loughborough and back.' He thought that it would be a better proposition to persuade a railway company to carry a train of passengers at a very cheap rate than to run the train at standard fares, but probably only half full. The railway companies jump at the idea and a few weeks later, a train carrying 570 passengers travelled at specially reduced fares. The venture was soon followed by excursionists to various other places.

Cook's Paris excursions are the first true 'package tours'; all the details of transport, accommodation and other facilities were pre-arranged. In 1863, he was given a red-carpet welcome by hoteliers and transporters in Switzerland. In 1864, the first guided tour of Italy left England with applications for a berth for exceeding the then available capacity. Then he introduced the concept of 'railway and hotel coupons'. By the end of the 1880s, more than a thousand hotels throughout the world have accepted the hotel coupons.

In 1880 John Mason Cook, the son of Thomas Cook, left for India and established offices in Bombay and Calcutta. In 1887, these offices arranged the visits of Indian princes to Queen Victoria's Jubilee Celebrations. Thus travel agency business kept on growing as many other travel agencies were established and contributed towards the growth of the business. But much water has flown down Thomas since then and the scope of the functions of a modern travel agency has widened. The travel agent has been defined as one who does the actual work for another person to enable that person to make a journey. The establishment one maintains' for business purposes is a travel agency. The travel agent need not necessarily be an individual; it could be a firm, company etc. The job of a travel agent is very important as he is supposed to be an expert or professional whose knowledge, training and experience have enabled him to advise the client on how to travel most comfortably within his limited budget and time. To do this, an agent needs

to acquire knowledge and skills in obtaining liable, correct and up to date travel information for each one of his clients.

<b>Airline</b>
<b>Railway</b>
<b>Road Transport</b>
<b>Accommodation Hotel</b>
<b>Package Tour</b>
<b>Ground operators</b>

Travel agents are responsible for organising travel. It is a travel consultant and organiser for the tourist. At the same time, it provides a link to the suppliers of services with the tourists/travellers. Hence we can say that a travel agency is like a retail store, the uniqueness is that it acts on behalf of both, the suppliers as well as the clients. For example, a tourist visits a Travel Agency to meet his travel demands. The Travel Agency makes a reservation for accommodation, air tickets, arranges for his pick from the airport and so on. Now at the surface, it appears that it is only the tourist who is being catered to or looked after by the travel agency. On the other hand, a travel agency has also served the airline by booking the seat or the hotel by booking the room. In all these services the Travel Agency has provided business to the suppliers of services while serving the tourist at the same time. This demonstrates the importance of the Travel Agency whose role is growing more and more in the modern world. Not every traveller has the energy or time to organise all travel arrangements. The suppliers don't have the reach to

every prospective customer. Hence, the travel agency plays a vital role between the tourists and the traveller suppliers. It is the link between tourists and suppliers. Figure 1.1 illustrates the role of the travel agency.



**Figure: 1** linkage of travel agency between tourists and travel suppliers.

Before we go further to explain the various functions and operations involved therein let us look at some of the basic qualities the personnel working in a travel agency should have. One should be:

- Courteous and helpful,
- Able to look at minute details,
- Ready to work under pressure,
- Prepared to work for solving problems, and
- Proficient in languages etc.
- Sound knowledge of geography – particularly map reading and seasonality,
- Fair knowledge of customs and practices in different countries or at the destinations one is dealing with,
- information about health, visa, permit and foreign exchange rules, knowledge of arithmetic as fares are to be calculated or worked out,
- should know typing or work on computers, and
- Have proficiency in communicating skills.



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**2.3. Tour Operators:**

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A tour operator is the manufacturer of the tour packages. They are specialized in different areas of tour packages. Sometimes they also have their hotels, resort and vehicles which help them to create the tailor-made itinerary.

**2.3.1 Meaning and Definition:**

You must have seen advertisements in the newspapers or magazines regarding three days or one week tour that mentions the total price of the tour along with the itinerary. For example, one week in Kerala 2000 Rs. (350 Rs. worth healthcare coupons free or ten days in Goa – heavy off-season discounts, beaches, music, Rs. 20000 inclusive meals. etc. These are the offers of package tours which are available to individuals as well as groups. But have you ever paid attention to this that who packages such tours and why? Or how they are packaged and marketed? Well, many individuals work out their details of travel and pleasure. But this is a time-consuming process. Many don't want to bother themselves about it planning and organising their journeys, stay etc. Rather they want this to do by someone else. It is the tour operator who packages all attractions of a destination into one composite product and retails it through the travel agents or directly to the tourists. He creates the demand, travel, market and image of the destination. Thus, it is precisely this demand that led to the origin of package tours. Today, many tourists buy these package tours as per their interests, priorities and budget at a pre-determined price. The complete holiday package tour includes travel (air/surface) accommodation, escort/guide and so on. The person who puts together all these aspects into a package is known as the Tour Operator.

In other words, we can say that Tour Operator is a person who provides information, plans and coordinates travel with various agencies to create a package or service. At the same time, he also ensures smooth operation of the

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tour He can thus, also be called a Tour/Travel consultant or Tour Coordinator. The Tour Operator may or may not necessarily have any product of his own but act as an intermediary to tailor a package to meet the needs of a traveller. A tour operator plays an important role in organizing explorations, research expeditions and holidays. We must remember here that tour operations originated ever since people wanted to explore new areas, go on pilgrimage or trade expeditions, individually or in groups. The above facts indicate that a tour operation involves:

- 1) Information of the area of operation i.e. in-depth knowledge of the places of interest, the accommodation, transport facilities and other logistics required for planning a tour.
- 2) Planning of a tour in the most efficient manner.
- 3) Coordination with allied industries or services such as hotel reservations, airline, rail or road transport reservations. Local assistance, guides, etc.
- 4) Operations of tour mean close monitoring of the tour i.e. all that is packaged together is working in smooth coordination. In case of a break in the circuit, an alternate is to be organised with the least inconvenience to the client. This is another vital segment in the planning and operation of a tour.

Over the years, due to the rapid changes in the global tourism marketplace, tour operators are playing a pivotal role in the tourism market and catering for the requirements of all types of tourists. Thus, to meet the tourism market requirements tour operators are classified into the following categories:

- **Individual/independent tour operator,**
- **Incentive tour operators**
- **Outbound tour**
- **Domestic tour operators**
- **Inbound Tour Operators**

The following examples clarify the concept and meaning of tour operators:

A group of tourists from Germany wants to visit India-Mumbai, Goa, Delhi and Sri Nagar (J&K) but does not know whom to go about. He walks into the Travel Agency (Retailer) which he normally uses or thinks that it can help him. He meets the Travel Consular who talks to him and finds out his interest, the money he could spend for travel, the tour he could afford, the luxury he is looking for and the season of travel. The Travel Consular then shows him the brochures of the various types of tours which he could recommend with the cities or areas of interest, type of facilities, etc. These are normal (the tours produced by the Tour Operator (wholesaler). Such tours have a scheduled date of departure and a set programme. He then books his name on one such group. The wholesaler collects people from all over the country and forms a group. thus, the group with names, itinerary and flight details etc. is sent to an inbound tour operator who has organised reservations for hotel, transport and other services all over the country. This inbound tour operator then gives the message to excursion agents in each city of visit about the group's strength, arrival and departure details and request for services to be arranged in that city. Practically, the following information is required by the tour operator to ensure efficient services:

- 1) Receiving the group at the airport and taking them to the hotel and vice versa.
- 2) Provide appropriate transport for the group to travel in the area.
- 3) Provide a Guide for sightseeing tours.
- 4) Provide tickets for the entrance fee at places of visit.
- 5) Any special services for the group.
- 6) Reconfirm hotel reservations.
- 7) Reconfirm onward flight/train/bus reservation confirmation.

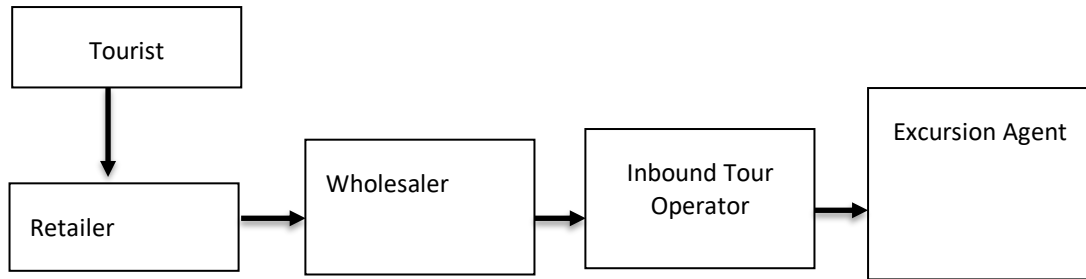
And so the group moves from one excursion agent to another while the inbound tour operator is closely monitoring the movement being the chief coordinator.

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This way an inbound tour operator can provide pickup service and transport and excursions at each city in India even though he does not have an office in more than one city. The following figure indicates the process of services offered by the travel intermediaries in the tourism industry:



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### Check Your Progress-1

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Answer the following questions:

1. Define travel agent.
2. Define tour operator.

Check your answer with the one given at the end of the unit

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### Check Your Progress-11

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Answer the following questions:

1. What is the main difference between a travel agent and a tour operator?

Check your answer with the one given at the end of the unit.

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## 2.4 Functions and Role of Travel Trade Intermediaries in Hospitality Management:

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The functions performed by a travel agent, travel agency, and tour operators depend upon the scope of activities it is involved in and also the size and location.

The following are the major functions performed by a travel Intermediaries:

### Provision of Travel Information:

One of the primary functions of a retail travel agent from the point of view of the tourist, the general public is to provide necessary travel information. This

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information is provided at a convenient location where the intending tourist may ask certain questions and seek clarifications about his proposed travel. This is a very specialized job and the person behind the counter should be a specialist having excellent knowledge of various travel alternate plans. He should be in a position to give up to date and accurate information regarding various services and general information about travel, etc. The presentation to the potential customer must be forceful, and exciting variations much continually be devised to help sell wares. A good travel agent is something of a personal counsellor who knows all the details about the travel and also the needs and interests of the intending traveller. Communication plays a key role in the dissemination of any type of information. This is equally true in the case of the dissemination of travel information. The person behind the travel counter should be able to communicate with the customer in his language. The knowledge of foreign languages is an essential prerequisite for personnel working in a travel agency.

**Preparation of Itineraries:**

A tourist itinerary is a composition of a series of operations that are a result of the study of the market. A tourist journey is characterised by an itinerary using various means of transport to link one locality with another. The preparation of different types of itineraries is another important function of a travel agency. A travel agent advises intending travellers on the type of programmes which they may choose for their holiday or business travel. The study and the realisation of the itineraries call for a perfect Organisation (technical and administrative) as also knowledge of the desires of the public for a holiday and the propensity to receive tourists by the receiving localities.

**Liaison with Providers of Services:**

Before any form of travel can be sold over the counter to a customer, contracts have to be entered into with the providers of various services. These include

transportation companies, hotel proprietors, the providers of surface transport like motorcars or coaches for transfers to and from hotels and sight-seeing, etc., also for general servicing requirements. The work carried out under these headings is usually that of the owners or senior employees of agencies concerned. In the case of large agencies with worldwide branches, the liaison work involves a great deal of coordination with the principals.

**Planning and Costing Tours:**

The contracts and arrangements having been entered into there comes the task of planning costing tours, both for inclusive programmes and to meet individual requirements. This job is intensely interesting and at the same time challenging. The job calls for a great deal of initiative and drive. The Job cal is for travel to those places which are to be included in the itineraries. Paradoxically, many of those who do this type of work visit comparatively few of the places included in the itineraries they prepare. This is essentially a job for a meticulously minded pc son and calls for considerable training and ability. Many agencies with the cooperation of airlines and other transportation companies take the opportunity of arranging educational tours for such staff to countries with which they deal. Many large agencies have people who are authorities in particular countries and, in addition to a general programme many will issue separate programmes dealing with specific territories. Separate programmes dealing with holiday offers based on specific forms of transportation, e.g., air, rail, road or sea may also be prepared. Programmes also have to be issued to cover different seasons of the year.

Publicity is an important part of the programme. Having spent considerable time and money on preparing all that goes into the issue of a programme, publicity must feature considerably in the activities of a travel agency and more so if the

agency happens to be a large one. The majority of large travel agencies have their publicity departments under the management of an expert in the publicity field.

### **Ticketing**

Selling tickets to clients using different modes of transport like air, rail and sea is yet another important function of a travel agency. This calls for a thorough knowledge of the schedules of various modes of transport. Air carriers, railways and steamship companies have hundreds of schedules and the man behind the counter should be conversant with all these. Ticketing is, however, not an easy job as the range and diversity of international airfares is very complex and varied. There are nearly 50 different types of fare combinations alone on the North Atlantic route. Changes in international as well as in the local air schedules and additions of new flights from time to time make the job of the travel agent one of constant challenge. Up to date knowledge about various schedules of air companies, Steamship companies and railways is very essential.

The computerised reservation system has in recent years rather revolutionised the reservation system both for air and rail seats and also a room in a hotel. Many large travel agencies are using this system. This system comprises a computer network that can be used by the travel agent to reserve an air or rail accommodation as also accommodation in a hotel. Through a wide network confirmation of reservations are available in a matter of seconds.

Linked with the function of ticketing and reservation of accommodation in a hotel is the settlement of accounts of the clients. Accountancy plays a great part and is one of the important duties to be performed by the travel agency. Dealing with the settlement of accounts in all parts of the world calls for a thorough knowledge of foreign currencies, their cross- values and, above all, the intricacies of exchange control regulations, which vary from country to country.

### **Provision of Foreign Currencies:**

Provision of foreign currencies to intending travellers is another specialised activity of a travel agency. Some of the larger travel agencies deal exclusively in the provision of foreign currencies, travellers' cheques' etc. This is an important facility to intending travellers as it saves them a lot of time and energy in avoiding visits to regular banking channels.

**Travel Insurance:**

Travel insurance, both for personal accident risks and to baggage, is yet another important activity of a travel agency. Some of the larger travel agents maintain sizeable shipping and forwarding departments, aimed at assisting the traveller to transport personal effects and baggage to any part of the world with a minimum of inconvenience.

Although the functions of ticketing, itinerary preparation etc. are also performed by the tour operator yet his job is much difficult as he has to secure various services from the principals and sell them in form of packages. The major functions performed by a tour operator are as follows:

**Identification of profile of target market**

First of all, the tour operator has to select a particular market segment he wants to cater to because possibly one cannot serve all kinds of clients effectively. Once a particular market segment or more than one segment is/are selected, he has to prepare their profile i.e. what age, sex, income, education, social groups they belong to because ultimately their, preference for destination, transport and accommodation and purchasing power depends upon these factors.

**Preparation of tour package:**

A tour package includes transport, accommodation and entertainment facilities. The package is prepared to keep in view the preferences of the target market

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regarding transport, accommodation and entertainment facilities; and time and money at the disposal of tourists. The first step in the formulation of the package is itinerary preparation which is the preliminary form of the package itself.

#### **Negotiating for services with principals**

Once the itinerary is prepared, the principals (Hoteliers, transportation companies etc.) are approached whether they can provide the services in bulk at possible dates and on what terms. This is a very important phase as the profitability of the tour operator depends to a large extent on it. If he can negotiate effectively, he will secure quality services at heavily discounted prices and earn more money.

#### **Costing and pricing of the tour package:**

After this, the cost of the tour is done. First, the cost for the full tour is done. Some extra cost is added for unforeseen contingencies. Then occupancy rate is estimated and then the cost per head is calculated. Some contributions towards administrative expenses and fixed costs are also taken care of. The cost per head refers to the cost the tour operator has to bear for that package. For pricing, he has to add a certain amount of profit to it. The amount of profit depends upon the operator's objectives and the pricing policy he has adopted.

#### **Promotion of package:**

Once the package is formulated and priced, it is ready for sales. However, before that, it needs to be promoted so that the targeted tourists may come to know about it and are motivated to purchase it. There are different methods with the help of which the packages are promoted – advertising, personal selling, public relations, publicity, and sales promotion etc. Familiarisation tours are fast becoming a favourite of tour operators as a promotional tool.

#### **Expediting documentation and foreign exchange procedures**

If the package includes crossing frontiers, the tour operator like a travel agent expedites the process of documentation – passport, visa, permits etc. and also arrangements for foreign exchange from concerned authorities. Apart from this, some tour operators get all their clients insured for the period of their package.

**Execution of Tour Package:**

The final and perhaps the most important function of a tour operator is to execute the tour he has sold. He has to ensure that all the facilities which had been promised by the principals and in turn, which he promised to the tourists are provided to the tourists. Usually, a tour escort accompanies the tours who look after the tourists. Guides and interpreters are also sent along with the tourists whenever necessary.

Thus it is clear 'that the difference between a travel agent and a tour operator essentially lies in the function and role they played in the tourism and hospitality industry.

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**Check Your Progress-III:**

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Answer the following questions:

1. Travel desk in a hotel generally performs the travel agent's functions
2. What types of Negotiation a tour operator has with airlines?

Check your answer with the one given at the end of the unit.

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**2.5 Summary:**

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In this unit, we attempted to give you an idea about the travel agent and tour operators. This unit familiarized you with the concept, functions & role of the travel agent and tour operators in the hospitality and tourism industry. There are ample opportunities for those who are planning to enter this vital sector of the tourism and hospitality industry. Even many of you have huge opportunities right in your location if your area is a tourist destination. In this unit, you must be understood about the functions of travel intermediaries. In the coming units,

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## **Travel Agency Management and Tour Operations** **MTTM-04**

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we will discuss the role and contribution of transport operators, airless, and Indian railways in the hospitality industry.

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### **Answer to check your progress**

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1. 1) see section 2.3  
2) See section 2.3
2. 1) see section 2.4
3. 1) see section 2.5  
2) See section 2.5

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### **2.6 Glossary:**

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- **Package holidays**- travel arrangements packaged and sold at one price.
- **Retailer** – the sales outlet for travel goods the retailer is the travel agent.
- **Tour operator**- a tour operator packages all attractions of a destination into one composite product and retails it through the travel agents or directly to the tourists

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### **2.7 Review Questions:**

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1. Discuss the present profile of the tourism and hospitality industry.
2. Traced the historical development of the travel agent business. Also, give the present status of the travel agent business in India.
3. Illustrate the meaning and role of the tour operator.
4. Explain the functions of Travel Trade intermediaries in hospitality management.

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### **2.8 Suggested Readings:**

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### **UNIT-3**

## **Forms and Types of Tour Operation and Differentiation between them**

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### **Structure:**

#### **3.0 Objectives**

#### **3.1 Introduction**

#### **3.2 Concept of Travel Operations**

#### **3.3 Different Types of Tour Operation**

##### **3.3.1 Inbound Tour Operations**

##### **3.3.2 Outbound Tour Operations**

##### **3.3.3 Domestic Tour Operations**

##### **3.3.4 Destination Management Companies/Ground Operations**

#### **3.4 Integration and Linkages in the Travel Operation**

##### **3.4.1 Integration in Travel Operation**

##### **3.4.2 Travel Agency/Tour Operation-Linkage**

#### **3.5 Different function in Travel Operation**

#### **3.6 Travel Technology**

#### **3.7 Difference between a travel agent and tour operator**

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**3.8 Summary**

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**3.0 Objectives:**

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After reading this unit, you will be able to:

- Define the concept of travel operation;
- Discuss the difference between travel and tour operation;
- Describe the different types and forms of travel operation; and
- Explain the linkages in travel operations.

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**3.1 Introduction:**

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The concept of organized tours is quite old in this world even though the business travels have started quite late and the economic benefits from tourism are considered and appreciated much later to be the strong tools for revenue generation. Travel operations generally mean handling related arrangements With a travel schedule of a tourist inside the travel agency which includes his air tickets and rail tickets to a particular destination of the tour. Ticketing is the most important part of the travel operations which starts right from the demand generated by a client for travel to a particular destination. Several courses are offered to understand the techniques of ticketing including the courses run by IATA too. In brief, the arrangements related to moving from one place to another place of a client are called travel operations. In wider forms, to fulfil the motive of travelling and to arrange accommodation and guides in the destination for a tourist is called tour operation.

In this unit, we shall discuss the different types of tour operation, integration and linkages of in the travel operation, different forms of travel operation and tourism techniques.

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**3.2 Concept of Travel Operations:**

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A travel agency arranges for travel services from suppliers such as airlines, hotels, car rental companies, and cruise lines. Typically, travel agencies operate at the retail level, the wholesale level, or both. Retail agencies sell services directly to the consumer; it may be helpful to view them as commissioned middlemen for numerous suppliers of travel services. Most agencies provide information and reservations services at no charge to the customer; but in some locales, retail agencies are considering a fee structure for these services. The "consumer" is often thought of as an individual seeking transportation services or a tour booking. For many agencies, however, the more important "consumer" may be the business accounts. The income reported on the agency's tax return does not indicate the relative importance of the business accounts, but to the excise tax examiner, it provides valuable information about the point of collection of excise tax.

A wholesale agency primarily assembles and sells "packages" of services, such as air and land arrangements to Alaska or Hawaii. Although some wholesale agencies specialize in only one type of service, such as air passage to South America, they do not usually provide these services themselves; rather, they secure them from suppliers. The consumer is the individual traveller, and the traveller must normally purchase the package through a retail agency. A wholesale agency earns its income by securing blocks of reservations and reselling them at a markup. Suppliers deal with wholesalers instead of selling only to the public directly because wholesalers generate advance sales to the suppliers.

When selling the tour packages directly to the paying public, the tour operator has the responsibility for the collection and remittance of the excise tax. It is incumbent on the operator to maintain adequate records to determine the basis

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on which to apply the tax. In other words, a distinction is required to split the air transportation component (actual taxable flight and related services) from the nontaxable, non-air transportation components. Such nontaxable items are:

- Ground transportation;
- Baggage handling, storage, and transfer; and
- Charges for admissions, guides, meals, hotel accommodations, and other non-transportation services.

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### **3.3 Different Types of Tour Operations:**

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#### **3.3.1 Inbound Tour Operations:**

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

#### **3.3.2 Outbound Tour Operations:**

Tour operators who promote tours to foreign destinations may be business tours or leisure tours are called outbound tour operators. Indian outbound tourist traffic is growing at the rate of 11% annually and this makes India the second-largest country in the world concerning the travelling population. However, India's outbound tourism is not holiday oriented only but it is business-oriented

too. Many travel companies offer outbound packages such as Raj Tours Travels, SOTC, TCI, Thomas Cooks and sons etc.

### **3.3.3 Domestic Tour Operations:**

Domestic tour operators are those who assemble combined tourists components into inclusive tours and sell them to domestic travellers. In general, these tour operators provide travel services in the tourist's native home country. Domestic tour operators operate within the boundary of the home country and offer package tours to the travellers viz., domestic inclusive tours or independent tours.

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### **Check Your Progress:**

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Answer the following question.

1. The operators who receive guests/ tourists and handle arrangements in the host countries are called\_\_\_\_\_.
2. Tour Operators who promote tours to foreign destinations are called\_\_\_\_\_.
3. \_\_\_\_\_operate within the boundary of home country and offer package tours to the travelers viz., domestic inclusive tour or independent tour.

Check your answer with the one given at the end of the unit.

### **3.3.4 Destination Management Management Companies/Ground Operations:**

These are commonly known as handling agencies and their main function is to organize tour arrangements for incoming tourists on behalf of overseas operators. When a tour operator himself promotes beach holidays, wildlife holidays, adventure and heritage tours, cultural tours at different places then the role of ground operator become effective. It is the ground operator who by handling the incoming travellers at different places makes the tour successful

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**3.4 Integration and Linkages in the Travel Operation:**

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**3.4.1 Integration in Travel Operation:**

Today, the travel and tourism industry is becoming more and more competitive at the global level. Such competition is often encouraged by government policies like deregulation of airlines, transportation, communication and other sectors of the economy. But it has been noticed that no other factor is more influential than the political unrest, social conflicts and other world events which have a profound impact on the travel agency business. The competitive forces compel travel companies to seek ways to become more efficient and profitable in this context.

Integration means to grow by enabling a travel company to increase its market share and simultaneously reduce the level of competitive forces. In other words, it is a concept used in economics to describe formal linking arrangements between one travel agency organization and the other. It is of two types:

- **Horizontal Integration**

Firstly, Horizontal integration means two tour operators or two travel agencies or two hotels or two airlines that are offering competitive products amalgamate either through merger or through taking over. For example, Thomas Cook, one of the best-known names in the global travel industry, strengthened its hand in the British market on October 6, 1998, when it announced plans to merge its worldwide business with US-owned Carlson companies. Secondly, Horizontal integration occurs between companies offering complementary rather than competing products like hotels and travels agencies and other sectors.

- **Vertical Integration**

When an airline company or hotel company establishes its travel division or agency like British Airways, Lufthansa, ITDC and SITA it is called vertical integration. Today many multinational companies are sought to own and operate

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their travel agencies, hotels, resorts in key destinations to secure a trading advantage over their rivals.

### **Benefits of Integration**

- Economics of Large Scales
- Eliminates Middlemen
- Protects the Market Position
- Secures the Supply and Increases the Buying Power.

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### **3.4.2 Travel Agency/Tour Operation-Linkages:**

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Travel agencies serve Business travellers and leisure travellers, clients. Incidentally, the requirements of these tourists are different and the agency has to assemble or purchase-related components for the principal suppliers to cater for their needs. Thus, travel agencies, maintain close ties with the airlines, hotels, car rentals, banks, insurance companies, railways, government, trade associations, foreign tour operators and travel agents, grounds operators, cruise companies and tourism educational institutes. A brief discussion of these undertakings are as follows:

- **Airlines:**

International Air Transport Association (IATA) operates a network by which travel agencies sell airline tickets and receives a commission. Thus, the sale of airline tickets is highly regulated and strictly controlled. The agency's commission range from 5 to 11 percent but most major airlines offer additional incentives, i.e., cash bonuses and override commission. However, in some cases when a travel agency purchases air tickets in bulk, the margin of the commission will be high. This largely depends on the relationship between the two organizations. The procedure for sale of domestic airline tickets is different from country to country and even the rate of the commission also varies. Today, airline ticketing and reservation are almost entirely automated.

- **Accommodation Companies**

Most hotels and other lodging companies, including Major Indian and international hotel chains, pay commission to the travel agencies. (the rate varies from hotel to hotel). However, hoteliers in dealing with travel agencies are more informal and less regulated than airline companies. Interestingly, many hotels and hotel chains participate in Computer Reservation System (CRS), permitting hotel reservation to be made at the same terminal which is used to sell airline tickets. The commission received from hotels is the second-largest component of total agency revenue. But if the purchase is made in bulk then the profit is based on the negotiated prices and accordingly, the profit may be higher or lower.

- **Cruise Companies**

The Cruise companies are informally regulated by their own governing body, i.e., cruise lines association, which must approve any travel agency that desires to sell booking on behalf of any member of a cruise company'. The cruise companies also offer a complete package including sea travel, accommodation, food, entertainment and sometimes air travel. The commission varies from 10 to 20 per cent. However, most cruise package tours are sold to the public through travel agencies. It was Thomas Cook who brought the first group of foreign tourists to India through the sea route.

- **Insurance companies**

Today, many travel companies have included travel insurance in their package tours, including Thomas Cook. The company insured the travellers to protect them against accidents, loss of baggage and missed flights. Successful travel agency management has to make close contact with insurance companies to obtain an insurance policy for its clients. Recently, the Oriental Insurance Company has introduced two new travel policies for domestic as well foreign

tourists i.e. '*Suhana Safar*' for domestic travellers and '*Videsh Yatra Mitra*' (VYM) for foreign travellers. Incidentally, the foreign policy is an upgraded version of 'overseas mediclaim insurance'.

The '*Suhana Safar*' covers accident and Baggage losses – excluding Money, jewellery, cheques and other costly items. The policy is valid for a period of 60 days and it could be served and claims settled in any one of the 953 officers of the company.

The '*Videsh Yatra Mitra*' contains medical expenses and repatriation cover up to \$ 5 lakh worldwide including US and Canada and up to \$ 2.5 lakh worldwide excluding US and Canada. It also covers a total loss of checked-in baggage by an international airline and a cover of up to \$100 for purchases enforced by the delay of check – In baggage. Even the loss of passport is covered up to US\$ 250 and personal liability is covered up to US\$ 200,000. Insurance companies allow 20 to 30 per cent commission on insurance policies to travel companies.

- **Banking Companies**

Travel agencies offer banking facilities to the travellers like clearance of traveller's cheques and arrangement of foreign currency. Only those travel agencies, which are authorized by the Reserve Bank of India (RBI) under the Foreign Exchange Regulation Act 1973 (new amendment FERM 1998) can deal with foreign currency. Banking companies give the commission to travel agencies on traveller cheques and currency exchange.

- **Educational Institutions:**

An agency's success depends almost entirely on the competence of management and expertise of the staff. It develops manpower planning in such a way that will help to conduct on-campus selection and match the students to the requirements of the company. The linkage between travel companies and tourism education institutions will solve the problem of human resource requirements of the

present and future. Therefore, a travel company needs to maintain close contact and interface with tourism education institutions. Many Chief Executives from the industry are members of the advisory board of the institutions.

- **Travel Trade Associations:**

These associations provide a common platform to solve many problems of the members such as training, common code of conduct, airlines commissions or any other. These are some travel trade associations like TAAI, IATO, ASTA, IATA and PATA which are quite active in the promotion of travel trade global. Essentially, every travel company should be approved by these associations to avail financial and no financial incentives and commissions from the airlines, hotels, railways etc.

- **Other Organizations:**

The travel agencies need to maintain close ties with many other organizations offering travel-related services like cultural and entertainment organizations, foreign tour companies, regional passport offices, department of tourism both at centre and states, sports operators, transport operators, food and beverage business etc. These organizations play a vital role in making travel a complete product.

Travel companies provide business to the above-cited organizations and in return receive commissions. However, few other organizations help the agency to run the travel business smoothly and promote India as a tourist destination. Technically, a travel company cannot work in isolation but is interdependent with other travel-related enterprises.

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**3.5 Different Functions in travel Operation:**

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- **Handling queries**

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In the office of a travel agency, there are several business queries that a person receives through emails, fax and telephones. Handling of these queries needs very special training and experience of the product. Once the business query is received, one needs to read it very carefully and respond accordingly. In today's world majority of queries are received through email and the time is very important for the sender of the queries, secondly the option for travel through internet is extremely wide which simultaneously increases the competition also. So the swift responses to email queries are highly appreciated and it sustains the business too. To handle the queries in a professional way one needs to have the information of the destination the client is asking, the available facilities at that destination with several options, the prices of the services and a proper liaison with the handling team at the particular destination so the operations move smoothly once the client/group reaches there. It should be taken with good care that the queries have to be responded to quickly and the potential client has to be made satisfied as maximum as possible from the first interaction itself. No fake information or approximate cost should be supplied to the client.

- **Designing itineraries**

There would be different kinds of travel queries, the potential clients may ask for a tour which is published by you through your brochures and websites or they can ask for a tour of a particular region by giving the approximate number of days they wish to spend for the holidays or they can ask a customized or tailor-made program from your organization. If the tour program is not designed, the concerned person handling the query has to design a feasible itinerary for the clients. The itinerary is a day to day tour program which includes the detail of place, accommodation, distances and meal plan in brief. While designing the itinerary against any query one needs to keep the spending capacity of the client in mind which can be asked from the client while handling the initial query or

can be judged from the occupation, previous travel history and the place of the potential client if he is not interested to mention his budget. Normally today there would hardly be a place which is not explored and the details of all the regions are well mentioned in the numerous websites available on the internet and its also quite important that the travel consultants should be a very good traveller in themselves because if the product is experienced by the consultant himself, it would be very easy for him to design the program and put the best price for that.

- **Sending Quotations**

This would be the third phase of travel pre-operation in a travel agency business. Once the itinerary has been finalized the consultant/ executive or the file handler is expected to send the final quotation to the client. The quotation for the package contains prices for the flights, railways, surface transportation (whatever is applicable according to the program), accommodation and sightseeing during the tour. If there are monuments to be visited during the tour, it also has to be finalized whether the clients/group will directly pay the entrance fees or the same has to be included in the tour price. Normally the prices for the accommodation are included based on a continental plan which includes room plus breakfast but a destination management company has to follow the brochure programs of its foreign agents and if there are any other meals are found included on a group tour, the same has to be included while sending the quotation. If the query is sent by FIT or an individual, the tailor-made itineraries will follow the instructions of the client while adding the meals to the package cost. The second essential aspect of quotation is your markup or the profit share on that particular package. The profit share or the mark up is normally included on the net price of the services whereas the travel agencies do have the special prices from the hotels/ transporters on their operational circuits which are less than the rack rates. It has to be noticed that the quotations should be competitive

so the business must remain with you. This is the time of the world wide web which has several benefits and threats too. To avoid the threats, the god travel agencies have developed the technique of “dynamic packaging” as a very strong tool of travel technology.

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### **3.6 Travel Technology:**

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Travel technology was originally associated with the computer reservations system (CRS) of the airline's industry, but now is used more inclusively, incorporating the broader tourism sector as well as the hospitality industry. While travel technology includes the computer reservations system, it also represents a much broader range of applications. Travel technology includes virtual tourism in the form of virtual tour technologies. Travel technology was born with the airline industry's use of automation and their need to extend this out to the travel agency partners. It should be kept in mind that there was an online world before the advent of the world wide web in the form of private and commercial online services. The convergence of industries has forced people to create terminologies such as information technology, biotechnology, ubiquitous technology and even cultural technology to explain frequently talked about topics. Tourism Technology is a term that encompasses all social, cultural, managerial, and value-adding activities of the tourism industry. Tourism Technology also incorporates and encourages technological advancements and economic development in the tourism industry.

**Tourism Technology:** Initially based on the concept of cultural technology, is a more comprehensive term covering knowledge used to add to the value of tourism products on a micro level and the management of the travel and tourism industry on a macro level. New tourism products are also the result of tourism technology combining with other industries. These include medical tourism,



educational tourism, agricultural tourism, marine tourism, and the application of information technology to the travel and tourism industry.

**Application of Tourism Technology:** The term "technology" can easily call to mind scientific achievements, computer graphic skills, special effects and other engineering-related images. However, "Tourism Technology" encompasses the integrated fields mentioned in the previous paragraph, statistics, managerial and socio-cultural know-how, and skills that the tourism industry can adopt to design, produce, and market various tourism products. In addition to coordinating various aspects of human resources in the travel and tourism industry, "Tourism Technology" describes a comprehensive field containing but not limited to such widely referred to subjects as an entertainment technology, contents technology and creative technology.

**Examples of how Tourism Technology can be Applied are as Follows:**

- Development of tourism products that tell a story
- Convergence with other industries such as medical and film industries
- Application of advanced information technology to provide tourist information via navigation systems or PDAs

**The Time of Virtual Tourism:**

Virtual tourism refers to pre-planning alternative touristic activities before your departure, by integrating multiple digital resources to explore regions of the world without having to physically travel. It helps focus attention on people, places and exploring changes over time! By using the internet, travel literature (travel guides and travelogues), Journals, Papers and television a customer gets sufficient information necessary to make an informed decision about which places to visit and explore. It is an economical activity that employs people from several different specific areas, such as journalists and photographers, geographers, editors, cameras, writers, etc... and it is one activity related to

promoting nature-based or people-powered outdoor recreation involving adventure-based tourism.

The phrases panoramic tour and virtual tour are often used to describe a variety of video and photographic based media. The word panorama indicates an unbroken view, so essentially, a panorama in that respect could be either a series of photographs or panning video footage. However, of late the phrases 'panoramic tour' and 'virtual tour' have mostly been associated with virtual tours created using stills cameras. The image above is an example of what a virtual tour movie looks like when it has been 'flattened'. This is also referred to as a panoramic image.

Such virtual tours created with still cameras are made up of several shots taken from a single point. The camera and lens are rotated around what is referred to as a nodal point (the exact point at the back of the lens where the light converges). These images are stitched together using specialist software; the movies are each resized and configured for optimal online use. Travel agents have developed dynamic packaging tools to provide fully bonded (full financial protection) travel at prices equal to or lower than a member of the public can book online. As such, the agencies financial assets are protected in addition to professional travel agency advice.

All online travel sites that sell hotels online work together with numerous outside travel agents. Once the travel site sells a hotel, one of the supplying travel agents is contacted and will try to get a confirmation for this hotel. Once confirmed or not, the customer is contacted with the result. This means, that booking a hotel on a travel website will not get you an instant answer. Only some of the hotels on a travel website can be confirmed instantly (which is normally marked as such on each site). As different travel websites work with different suppliers together, each site has different hotels that it can confirm instantly.

- **Making reservations:**

Once your quotations are accepted by the client/ agent; it's time to forward the reservation according to the hotels you have offered in the itinerary or at the phase of supplying quotations. It should be noted that if the same hotels are not available at this stage, one must try to offer similar hotels at the same prices. The reservations can be made initially on the telephone but latterly it has to be done by email or fax and the hotels/vendors should be requested to acknowledge all your important emails/fax messages and they must reconfirm the services at your earliest so the same can be forwarded to the agent/client if demanded. The same has to be done with the transporters; handling agents and guides/escorts too and one must get the reconfirmations from them also for the official records. There are the following main areas where a client/group has to be booked.

**Airlines**

**Hotels**

**Transportation**

**Guides/escorts**

**Issuing vouchers:**

This is the third step of travel operation to issue the vouchers to concerned hotels/handling agents and transporter on the itinerary. These are the same organizations where the client/group has been confirmed. The vouchers are the printed exchange orders of one travel agency which are issued against services that the vendors have to provide for the clients. There are four copies of the vouchers, one is sent to the hotel/ transporter/ handling agent, the second is kept with the agency for its official record, the third is forwarded to the accounts department and the last one is carried by the client/ tour leader while travelling. The client's copy is the original copy of the voucher that he gives to the hotel/

transporter/handling agent after using their services by making a signature on it. Since the voucher contains the list of services that the hotel has to provide against it and the travel agent is liable to pay for only those services which are mentioned on the vouchers and every voucher it is always mentioned at the end of the leaf that all the extras have to be collected directly from the client. Here the extras mean for the services which are not mentioned in the voucher. Once the services are provided, the hotel sends the original voucher with its bills to the issuing office that's the travel agency and collects the payments. The person who is issuing the voucher must write everything very carefully on it because the services by vendors will only be provided on it.

**Payments- Collection and Distribution:**

The collection and distribution of payments is the next phase of a travel agency working. Normally the payments are received from the client/agent well in advance, which is before the arrival of the client/ group. The payment to the hotels and transporters are made after they send the bills once the inbound operations are concerned and for outbound tours, the payments are sent to all the service providers before the arrival of the client/ groups. Generally, all the travel agencies do have their separate accounts department which takes care of everything related to the accounts including the adjustments of service taxes and income taxes.

**Liaison and coordination:**

This is the real part of the tour operation. Once the group arrived at the time of its departure back to the origin, it is the responsibility of the file in charge or manager/executive operations to be in touch with the hotels/transporters/guides/escorts and local handling agents and also with the client directly or indirectly. This is the way of professionally working conditions so the agency remains informed about every days' happening with the client/group. The same

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office is responsible to keep all services reconfirming including the international flight tickets to the origin place which have to be reconfirmed at least 72 hours before the commencement of the flight.

### **Feedback and remarks:**

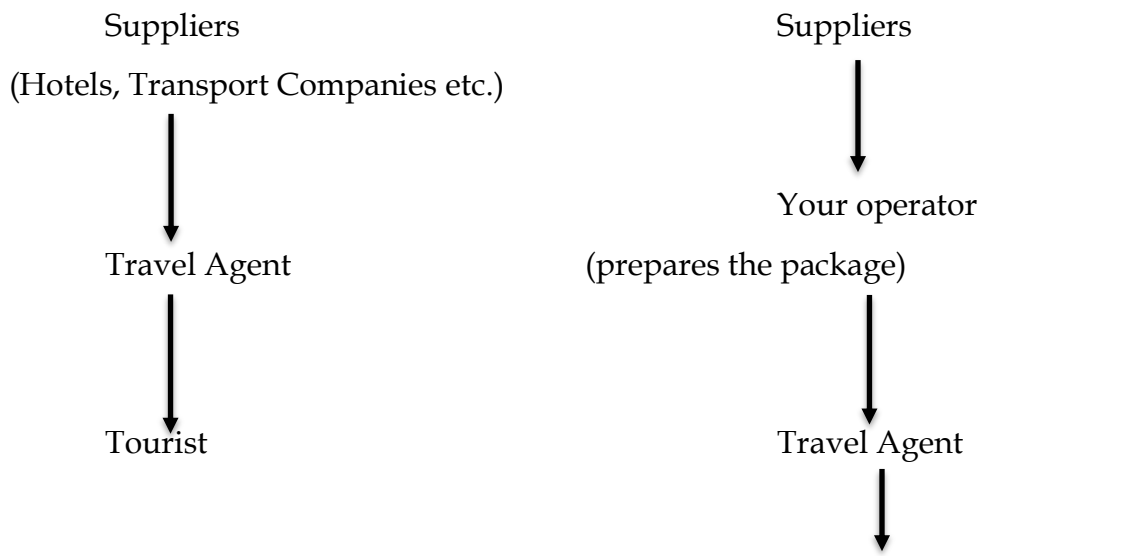
The right and proper feedback and remarks are the basic tools for further research and business development. The liaison and coordination phase too provide important information about the success of any tour and even the negative points are also observed at this stage. The remarks can be obtained once the group/client reach back to the last destination and the same is discussed in the office to get maximum success for the upcoming tours on the same circuit.

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### **3.7 Differences between a Travel Agent and Tour Operator:**

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Historically, the tour operator has mostly emerged from the retail travel agencies. However, today a clear distinction must be made between a travel agent and a tour operator. Essentially a travel agent is a retailer and a tour operator is a manufacturer and wholesaler. The travel agent is a retailer because he sells the travel services to the final consumers i.e. the tourists directly,



**Fig. 2**

But unlike the travel agent, the tour operator is a manufacturer of the tourism product. He plans, organises, sells and conducts the tours. He acts as a wholesaler also sometimes because he has to engage travel agents as the middleman to sell his package tours in different territories. Figure 2 makes amply clear the flow of travel services from suppliers to the tourists.

Presently, there are roughly 1200-1,500 travel agencies and tour operators in India, concentrated in major cities such as Mumbai, Chennai, Delhi and Kolkata. While online booking is on the rise, travel agencies continue to play dominant roles in the Indian market as a means for consumers to purchase and book their travel, particularly international travel. The travel trade industry in India is fragmented, with different ranges of travel agencies, ranging from small, to medium and large. In the past ten years, there has been a gradual shift towards smaller agencies operating to cater for independent travellers. Traditionally, the international travel market in India has been dominated by a few large agencies such as TCI, SOTC, Thomas Cook, Kuoni, Cox and Kings, and so forth which are prominent in group travel. There are a few recognised travel associations such as the Travel Agents Association of India (TAAI) and the Indian Association of tour operators (IATO) which play active roles in promoting domestic and international travels. TAAI has over 700 members and holds annual events, such as an international travel expo, sports days, and Familiarisation trips for tour agencies. In addition, TAAI also hosts country-specific international travel fairs in conjunction with various airlines and national tourism boards, such as Singapore, Japan, Australia, China, Korea, etc. With the rise of the Internet and online booking, smaller independent ticket agents have also emerged to serve the needs of customers. These ticket agents have more international experience and

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are more comfortable with booking online. However, the number of online customers and agencies is still relatively small but rising. Most Indian travel agencies book through international or big travel agencies seem to have a dominant position, particularly vis-a-vis European travel products. A handful of agencies specialise in the corporate/incentive segment, with clients ranging from insurance companies, beverage companies, to pharmaceutical and multinational companies. While a myriad of travel agencies exist in big cities, it is only the big companies with clout and connections that win clients from large MNCs and government offices. Most are companies that have been established for some years and have cultivated enough goodwill, reputation and relationships with airlines and government offices. In contrast to group travel, the leisure travel market does not seem to be dominated by any particular company. Company size ranges from small to medium, with most products being advertised through newspapers and travel magazines, both in Hindi and the English languages

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**3.8 Summary:**

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In the present unit, the learners have discussed the following things:

- Travel agency and its working system
  - Different Types and Forms of Travel operations
  - Retail Agencies and wholesale Agencies
  - Different linkages in travel operations
  - Bookings and reservations
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- Itinerary preparation and its importance
- Tourism techniques and importance in modern travel operations
- Inbound, outbound and domestic travel operations
- Different functions in travel operations

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**3.9 Answers to Check Your Progress:**

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1. Inbound Tour Operator
2. Outbound Tour Operator
3. Domestic Tour Operator

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**3.10 Suggested Readings:**

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**3.11 Review Questions:**

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- How many kinds of travel operations are there?
  - What is the difference between inbound and outbound travel operations?
  - What is a domestic travel operation?
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- What are the different organizations that a travel agency is linked with?
- Define tourism technique and its importance in worldwide web promotion?
- Write a detailed note on the different functions of a travel operation?

## **UNIT - 4**

### **Role and Contribution of Travel Agents and Tour Operators in Development of Industry**

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#### **Structure**

#### **4.0 Objectives**

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**4.1 Introduction****4.2 Present Travel and Tourism Business Trends****4.2.1 India's Present Position- an Overview****4.2.2 Problems, ethical, regulatory problems faced by the travel business****4.3 Role and contribution of Travel Business****4.3.1 Future Prospects of Tourism and Travel Business****4.3.2 Factors Responsible for the growth of tourism****4.4 Summary****4.5 Glossary****4.6 Suggested readings**

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**4.0 Objectives:**

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After reading this unit, you will be able to:

- Describe the present travel business trends;
- Discuss the determinants responsible for the present status of tourism and travel business in the country; and
- Explain the prospects of the travel business.

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**4.1 Introduction:**

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Demographic, socio-structural, socio-cultural developments, information technology, deregulations, globalization, liberalization and changing public attitudes have posed constant challenges to the Indian travel agency and tour operation business organisations. These have always led to changes in tourist demand and faced service providers in tourism with a substantial need to adjust. These constant challenges have expanded and intensified considerably in the first few years of the new millennium. War and terrorism, extreme weather, the ongoing internationalisation of tourism and the ageing of society (increasingly prominent in public awareness) have emphatically demonstrated the latent

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vulnerability of tourism as a booming industry. The survival of the tourism industry depends decisively on recognising relevant present trends and allowing for them in good time. In this unit, the students will understand the present trends of the tourism business and its prospects.

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**4.2 Present Travel and Tourism Business Trends:**

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**4.2.1 India's Present Position- An Overview:**

India's travel and tourism market was valued at US\$42 billion in 2005 and is growing rapidly. India emerged as the fifth most preferred destination by the world's travellers in a survey conducted across 134 countries. India also figures in the Annual Readers' Travel Awards 2005, which were announced by the prestigious magazine Conde Nast Travellers UK in its September 2005 edition. A 5,000-year history, culture, religion and alternative medicine fascinate both budget and luxury travellers alike. The Department of Tourism's resolve in promoting Indian tourism has strengthened as it recognises its potential. Tourism in India is the third-largest foreign exchange earner, accounting for 2.5% of GDP. It also makes a direct contribution to the economy with significant linkages with agriculture, horticulture, handicrafts and construction. The outlay on tourism development rose to Rs.7, 860 million in 2005/2006, from Rs3, 500 million in 2003/2004, and continued to focus on the "*Atithi Devo Bhavah*" campaign, targeted at the inbound foreign tourists in the country. Translated this means "Guest is God".

Unfortunately, tourist arrivals and tourism earnings growth slow down during the year 2005 i.e. growth in arrivals and incoming tourism earnings slowed down substantially in 2005, to 14% and 19%, respectively. The slowdown followed a particularly good performance in 2004, with global travel recovering from various health and natural disaster scares in the previous two years. Returning Indians constitute a significant proportion of incoming arrivals and as both the

country and long haul travel became more expensive. They chose other holiday destinations instead of returning to their home country. The UK and the US lead arrivals into the country. Combined, they accounted for 33% of total arrivals in 2005. The Middle East, including Dubai, the UK and the US were the favourite destinations in terms of departures. Popular new destinations for Indians include Southeast Asian countries such as Singapore, Thailand, Malaysia and Hong Kong. Cheaper airfares and competitive holiday packages have made these favoured vacation spots. On the other hand, the number of outbound travellers from India grew by 15% and reached 6.2 million in 2005. This was almost twice the number of arrivals witnessed by the country. A booming economy, with GDP growth of more than 7%, rising disposable incomes, higher aspirations, and cheaper air travel to countries such as Malaysia, Thailand and Singapore and better products from the industry enticed Indian travellers. This has prompted several global tour operators to enter the Indian tourism market either directly or through strategic alliances.

According to the recent forecasts the Domestic tourism driving the industry with 390 million Indians on the move in 2005, it is little wonder that it is domestic travellers that sustain the travel and tourism business. Domestic business travel and visiting family/friends, as well as pilgrimages, contributed to the 13% growth in the number of trips within the country that year.

#### **4.2.2 Problems, Ethical, Regulatory Problems Faced by Travel Business:**

The present status of tourism and travel business in the country is due to the following facts such as:

#### **Budget Airlines Introduced:**

India's transportation industry is the largest sector of the travel and tourism industry at Rs1, 103 billion in 2005. The sector outperformed the review period CAGR performance in 2005, with 15% sales value growth. Investment in international quality roads, the launch of low-cost carriers as well as the expansion of the railways were responsible for driving growth.

Six new low-cost carriers were launched in India in 2005, and there seemed to be room for more. Spice Jet Ltd was an outstanding success during the year. As competition heated up, prices came down, making the Indian consumer the winner in all respects. Promotional fares as low as Rs1 was launched, but this was limited to short periods, as fuel price hikes and taxes made it difficult for companies to sustain these fares. Tier-II city routes that were earlier sidelined or ignored were taken note of and serviced. The airline sub-sector outperformed the growth of the transportation sector as a whole in 2005.

**Budget Hotels:**

Travel accommodation in India accounts for only 12% of the travel and tourism industry in value terms. The skewed nature of hotel accommodation in India is evident from the fact that it constituted 5% of the accommodation market in terms of the number of outlets, but accounted for 28% of sales value. The hotel sub-sector achieved growth of 18% in current value terms in 2005, which was driven by increasing demand, notably in business travel.

The huge gap between demand and supply of hotel rooms drove up occupancy levels and average room rates (ARRs) to new highs during the review period. Hotels generally cater to foreign visitors, corporate business clients and high-end Indian travellers, as hotel accommodation is out of the reach of the average Indian. Indians are increasingly seeking world-class facilities, such as clean and comfortable accommodation, Internet connection, and perhaps even fitness facilities at local prices.

In response to changing consumer needs, leading luxury and business hotels player Indian Hotels Company Ltd shifted its focus to budget hotels and rolled out the first Indian hotel, its budget brand, in Bangalore in South India. Interglobe Enterprises signed a joint venture with Accor, in March 2005, to develop budget hotels in India under the brand name Ibis.

### **Shifts focus On-line travel in India**

The travel retail sector constituted 17% of the travel and tourism industry in 2005 and was the second-largest sector, valued at Rs274 billion. With 25% growth in 2005, it was responsible for driving much of the value growth in the overall market. Sensing opportunities in this area, with Indian travellers becoming more Internet savvy, dropping costs of broadband and a general increase in access to information, online travel retail intermediary MakemyTrip.com shifted its focus from returning Indians primarily from the American market to Indians within the country.

### **Indian Railways Popularise the Internet:**

E-ticketing and e-travel in India took off as a result of efforts by Indian Railways in late 2004, accompanied by good deals offered by new generation budget airlines, which sell most of their stock through the Internet. An estimated 7,000 tickets with an average price of Rs1,500 each are sold each day on the Indian Railways website. However, in terms of value sales, Internet rail transportation constitutes a lower proportion of the total than air transportation.

Consumers sought out Internet access through various means and made sure they did not get left out of the benefits - usually price discounts. On-line hotel reservations in India have also picked up, but constitute just 3% of the business. According to the Internet and Mobile Association of India, 16% of online shoppers spent in the Rs 10,000 plus range, including spending on computers, hotel rooms, jewellery, airline tickets and home appliances. Company-owned

sites, as well as specialised travel portals, drew in travellers in thousands. Travel agents also recognised the importance of the Internet as a means to distribute and market various deals, drawing in 7% of business from this medium. Much of it is still, however, not real-time.

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**Check Your Progress-I**

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Answer the following questions.

- 1. Discuss the salient features of inbound tourism statistics in India.**

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- 2. Write a detailed note on India's earnings from the tourism industry.**

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Check your answer with the one given at the end of the unit

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**4.3 Role and Contribution of Tourism Business:**

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**4.3.1 Future Prospects of Tourism and Travel Business:**

By 2020, the government of India expects travel and tourism to contribute Rs8, 500 billion to GDP, almost four times the value in 2005. With successive governments committed to reform, a strong manufacturing sector and a private sector that already has a critical mass that is needed to drive growth, it is unlikely that the strong growth in GDP is likely to be reversed. The rising middle class is also becoming increasingly affluent, mobile, Internet-savvy and more sophisticated in terms of what is demanded in terms of tourism products and services, and more importantly the price they are willing to pay for it. A boom is expected in travel accommodation, as more serviced apartments, budget hotels (2-star category) and highway motels are established.

Significant changes are expected in travel retail, with the arrival of more international players, such as Le Passage and Cox & Kings, particularly in outbound travel. British company Cox & Kings plans to relocate its corporate headquarters from London to Mumbai as a result of its being bought out by its Indian arm in late 2005. Global interest also includes the American millionaire Alfred Ford with plans to set up a Himalayan ski resort. Internet intermediaries are expected to expand significantly and grow the market without significantly adding to volume growth. Rural tourism and medical tourism for inbound tourists will also give rise to new products and services in this sector.

Until recently, not much emphasis had been given to the maintenance and development of the historical and heritage sites in India, which resulted in a large number of tourists staying away from these. However, the Indian government's increasing investment in the upgrading and modernisation of infrastructure will translate into better facilities, amenities and access to the leading tourist attractions and sites.



### 4.3.2 Factors Responsible for the Growth of Tourism:

The following points highlight the prospects of travel business both at global and Indian level:

- **Internet will hold much promise**

According to International Data Corporation (IDC), India is expected to record the highest compound annual growth rate (CAGR) of 84%, among Asia-Pacific countries in e-commerce revenues between 2003 and 2008, exceeding the CAGR of 81% expected in China. It is estimated that travel will account for one-third of this. Much of the growth is expected to be driven by intermediaries. By 2010, India is expected to have 100 million Internet users, with the majority of them aged 25-39. Transportation and accommodation transactions will grow as they seek out newer experiences and get more comfortable with the medium.

Across all the sectors, much higher growth is expected from the Internet in contrast to brick-and-mortar business operations. 16% of travel retail business in 2010 is expected to be sourced through the Internet, as the nascent dynamic packaging sub-sector picks up due to the efforts of online retailers. While there is no direct danger of bird flu at the moment, it is a potential threat as India sees a significant number of migratory birds from China, Tibet, Mongolia and Russia. It is said that India's pharmaceutical industry is more than sufficiently equipped to provide supplies of medicine for the purpose. A significant proportion of India's poultry industry is of small scale and scattered, translating to a low level of threat.

- **Demographics:**

The tourist industry is more than almost any other industry linked to its social and natural contexts. One parameter for the longer-term development of society is obvious – the current and foreseeable demographic shift. In the tourist system the socio-demographic shift and specifically the advancing ageing of society -

will result in far-reaching changes, particularly on the demand side. At the global level, the world population will continue to grow. This growth will be primarily in developing countries, so that per capita income will not increase despite global economic progress. By contrast, in the industrialised nations – and particularly in India – the demographic shift is taking a different form. Although the number of inhabitants will probably change only moderately in the next 10-20 years (it is more likely to fall than rising), a secular decline in the birth rate and simultaneous increase in life expectancy is leading to a clear change in the age structure.

- **Increase in Discretionary Income:**

Earlier retirement, falling pension contributions, rising life expectancy and the resulting prolongation of the pension-drawing period during retirement are the causes of the already serious threat to the social security systems. The demographically caused decrease in the working population threatens to further erode the available contributions. If current conditions persist, future generations will pay higher contributions while working than current generations do. There is a similar problem with care insurance. These trends will probably be met by additional private pension plans which are very much in vogue in many countries. The shift in responsibility for old age would be one possible response to the demographic challenge. However, no matter which of the numerous proposed reforms is implemented, there are impacts on discretionary income in every case.

The increase in leisure which was apparent up to the 90s has increased, however, the trends in working hours (longer working hours, greater proportion of multiple jobs) makes it more likely that leisure will decrease. There is a growing disparity in the distribution of time and money. As a result, a clear structural change is emerging in the long term. These developments will have less effect on the volume of travel than its nature (frequency of travel, timing, destinations, combined business and private travel). The travel agents and tour operators will

be able to offer personalised product and services which target increasingly specific customer needs and offer convenience and time savings. This creates positive prospects for organised travel, despite the many predictions of its demise. The stagnation or even decrease in the number of vacation days also offers an opportunity for domestic tourism. Domestic vacations have a particular growth potential in catering for additional vacation trips. As fewer days are available for additional vacation trips, people tend to pick closer destinations. Frequently the time and money available for annual vacation are consumed by the main foreign vacation to such an extent that closer destinations are the only possibility for second and third vacation trips.

- **Senior Citizen Tourism:**

Given the socio-demographic trend, senior citizens will grow as a tourist market segment in India. Taking a broader view and considering other markets of origin for Indian tourism (particularly in Europe), there is further longer-term growth potential in the shifting age structure. Identifiable potential in senior tourism would continue to gain importance if the growth in life expectancy outstrips the increase in lifetime working hours so that the period for retirement is at least not decreased. Improvements in the state of health of older persons or greater technological and organisational convenience in travel may help activate the potential for tourism which can be expected from the demographics by 2020. One particular reason for believing that senior citizens will remain the principal source of growth for tourism in the foreseeable future is the fact that much of this market segment is still currently financially secure so that there are substantial purchasing power resources available for tourism. After retirement, the time available also increases accordingly. Senior citizens appreciate travel as a way to keep physically and mentally fit and participate in social life. Senior citizens in particular will likely invest in future in maintaining their accustomed lifestyle.

This could be associated with the rising intensity of travel, which is presently still below average.

- **Reorientation in Tourism Product:**

Tomorrow's tourists will be more sophisticated and will demand quality tourism products and services. Thus, tourist product design and marketing must adapt to the fact that its customers are becoming more aware. Together with the expected increase in the frequency of travel by the 40 - 60 age groups, this should have a positive effect on senior tourism. It should not, however, be forgotten that as society ages the number of people with health problems will also increase. The growing share of older people in the total population will be accompanied by an increase in the number of chronically ill old people. The result of the rising number of older people and rising health and nursing costs will mean that the younger senior citizens will increasingly be tied by the need to invest time (and money) in supporting their parents. Packages combining tourism and nursing care which takes into account the needs of relatives of the chronically ill or people with health problems are currently still rare in the tourist market.

There is also a trend towards a two-segment split in the senior market—tourists who want to enjoy new experiences and who spend a lot on tourism, and tourists who have a relatively small budget but who still want to travel. The tourist industry will accordingly have to develop target group-specific packages for both groups, to a greater extent than it now does. The economy group in particular is a target group whose size means that it cannot be neglected. In future, marketing must increasingly be tailored to match the needs and desires of older people. To address the very heterogeneous target group of senior citizens successfully, thorough knowledge of their much-differentiated motivations and lifestyles is needed, and this still needs to be gathered.

It is generally true that estimating the future development of eco-tourism is subject to a great opportunity for the tour operators. Thus, the motivations, attitudes and behaviour of future generations are still largely unknown territory, as is the assessment of their material situation.

- **All-Season Tourist Destination:**

Various current tourism forecasts show that India has great potential to offer to the tourists around the year tourism destinations as compared with other Asian nations. Thus India could succeed in gaining market shares in incoming tourism in the coming years as per WTTC forecasts. However, despite the predicted dynamic growth of spending in India by foreign tourists, this will have only minimal effect on the resulting direct value-added from domestic demand by tourism. In fact, in Asian countries, India will benefit most from the high growth rates, and could accordingly expand its position in international tourism. In 2005 India had 2.92 million overnights from visitors from the ten European countries, with the majority of all vacation trips to Rajasthan, Kerala, Goa and Mumbai involving longer stays of at least 10 overnights.

Business travel to India is already very important in travel by the various countries. Attractive packages for trade fair participants could further promote the business travel segment, and at the same time strengthen India as a location for international trade fairs within Asia. This could also have a spill-over effect on incoming vacation travel.

- **The emergence of New Destinations:**

It can be assumed that there is considerable opportunity for increasing tourism to India as a result of the low price level. This gives a major competitive advantage over traditional vacation countries. Another reason for this growth is certainly that many travellers are still unfamiliar with the destinations. There is also great interest in travelling to these destinations. For this and other reasons

(number of inhabitants, income levels, travel frequency, location), India is particularly important as a market of origin for all the nations. Developing the new markets requires both travel operators and the destinations in the countries to step up their marketing efforts, and also requires domestic travel agents to reconfigure their offer.

The growth in services offered by budget airlines suggests that various cities directly accessible through various airlines. This could also have an impact on the domestic market because in times of tight tourist budgets the destinations will have a considerable competitive advantage. Rural vacation tourism by contrast will develop slowly in many regions over the next few years, despite boosts to investment from promotional measures. The main reasons for this are inadequate tourist infrastructures and underdeveloped and ageing transport infrastructures. Health-related tourism has good prospects particularly in the Kerala and Himalayan states. Very low prices and the assumption of costs of medical treatment and rehabilitation in these states which are provided for under the Single Market will probably lead to substantial growth in demand and a lasting flow of patients from different countries.

- **Insecurity, Risks and other crises:**

Wars and violent conflicts, international terrorism, new diseases and epidemics and the increasing number of natural disasters and extreme weather conditions have resulted in a current increase in attention to the need for security. It is reasonable to assume that new security risks and crises will take on a new scale, because of the growing shift in wars from the state level to, for example, ethnic and religious armed conflict, because epidemics can spread globally with extreme rapidity, and finally because extreme weather conditions seem to be becoming an increasingly frequent feature worldwide, with a growing scale of damage. Questions of security and tourist risks are accordingly becoming

increasingly important for the future of travel. Today, a great need for security is apparent in all tourist target groups, where security covers a wide range: freedom from threats of war, terrorism, epidemics and natural disasters, reliable positive socioeconomic development, a desire for familiarity and order.

At the same time, we see repeatedly that after a specific event (crisis) awareness of a threat quickly fades among those wanting to travel. Surveys show, for example, that earlier disasters and crises had little impact on the 2005 travel season. In 1995 only 1 % of respondents intend and to travel to a different destination than the one originally chosen, 1 % cancelled their trip due to the tsunami in south-east Asia, 3 % were undecided, but 95 % had not changed their vacation plans at all.

Tourism as a whole generally recovers relatively quickly after every crisis, and particularly nonrecurring events and natural disasters. Even so, the question remains how the tourist industry will respond in future if risks occur more frequently and have an increasing impact.

- **Climate:**

Alongside storms, and floods are the most frequent causes of damage and injury from natural events. Between 1998 and 2003, around 800,000 people died in natural disasters worldwide. The International Disaster Database shows that this link cannot be dismissed. There is a rising trend in the storms, floods, earthquakes, volcanic eruptions, epidemics and plagues listed in this database.

Tourism is one of the industries particularly affected by climate change and natural disasters, specifically because these ultimately lead to a change at different levels in the pattern of "most favoured" and "least favoured" tourist areas. Discussions and measures in the tourist industry should not be limited to strategies for adjustment. In addition, preventive strategies are needed to reduce

the scale and pace of environmental and climatic change. Tourism as one of the sources of the anthropogenic greenhouse effect should make a relevant contribution here, in its interest.

- **Terrorism and Violence:**

Where there were formerly attacks or hijacking which affected individual tourists, we are now seeing terrorism directed against tourists and tourist destinations. Terrorists use the tourist system to attract global media attention through spectacular attacks on tourists or the tourist infrastructure. As a result, tourists avoid these destinations, which again impact the tourist industry. The greatest impact on tourist demand comes from terrorist attacks where tourists and locals are the direct target or victims of the attack.

Thus, the importance of secure travel to tourists is growing, from the decision to book (or not) through to customer expectations that travel operators and local tourist managers will assume responsibility for the tourist's safety, life and health. However, the importance of making the customer's vacation secure is still underestimated. Experts agree that tourists' perception of risks and security significantly affects the image of a destination and overall satisfaction, although to a very different extent. A concrete and objectively understandable high level of security at every stage of travel and transparent communication contribute decisively to improving actual (objective) security and positively affecting the tourist's subjective impression of protection and security.

- **Epidemics and Health Risks:**

As a result of the growth of long-distance travel to countries with different climatic and hygienic conditions, travellers are at risk from a very wide range of diseases. In many of the so-called developing countries which are also often tourist destinations, 50 % of the total mortality rate is due to infectious diseases.



The greater people's mobility, for example as a result of tourist activities, the faster the consequences can spread. In the worst case, a local tourist crisis can spread a virus worldwide with great rapidity, as the global dissemination by travellers of SARS in early 2003 showed. The following aspects, in particular, should be drawn from the overall picture:

There is increasing inequality in income and living conditions, poor population groups and regions are disproportionately affected by diseases. Growing poverty and population growth and growth in diseases are mutually reinforcing.

- **Communication:**

The risk perception of all the actors in tourism has so far been dominated by terrorism and acts of violence, but in future, the emergence of other risk trends will lead to a more comprehensive understanding of tourist security. As a result, risk communication will in future have to take on more diverse and new functions. The focus should be on the educational function in terms of risk prevention and awareness about informed risk management. This applies to both travel tips and warnings by public agencies through the media, consumer networks, travel guides, direct advice locally to travellers and tourists and information services of travel operators and travel insurance companies. However, such risk communication must be given higher priority in the face of marketing and local interests. So far, risk communication has been virtually unable to communicate positive aspects and information – presenting greater security as again for travellers, rather than a restriction. This is due particularly to the fact that so far it has not been possible to evaluate many risks adequately and these are not an automatic element in corporate communication. It is likely, however, that risk communication could prove a unique feature in future which could improve or create market opportunities. A prerequisite for this is the

existence of improved early warning systems and their systematic expansion and use.

- **Crisis Management:**

Despite initial serious efforts at strategic early intelligence on tourist risks, major *travel operators* have so far been primarily concerned with (reactive) crisis management. By contrast, virtually no attention is paid to structural causes for crises. Risk identification and management by the airlines is aimed primarily at measures to avert immediate danger and prevent terrorist attacks. Airlines have fundamentally revised their security concepts in part after the attacks of 11 September 2001. New security strategies concentrate on preventive measures, ranging from improved check-in to security measures on the aircraft. These measures are based either on initiatives by the airlines themselves or the implementation of national and international regulations. Similarly, the hotel and restaurant industry is responding to new risks mainly with improved security technology, choice of location and risk management. Most major hotels or hotel chains have appointed security officers and cooperate with security technology companies. International hotel chains are also advised by risk consultants and security firms.

- **Govt. Initiatives:**

The governments are also taking various steps by formulating tourism policy and try to respond at various levels to the risk trends. In certain organisations the stress has been laid on the regulations requires by all member countries to develop a system of quality assurance and national programmes for air security such as SAARC, G 8 and others.

- **Political Will:**

The growth of tourism in India could be explored in the dialogue between politics and science, for example, if and how framework conditions could be

created which increase travel to India. Scenarios and historical and empirical case studies could contribute to improved risk communication and the development of prevention-oriented early warning systems for risks and crises in tourism. Moreover, political will has a profound impact on the future of the tourism industry in the country.

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**Check Your Progress-II:**

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Answer the following question.

- 1. Name any two factors which are responsible for the growth of tourism in India.**

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Check your answer with the one given at the end of the unit.

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**4.4 Summary:**

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In this unit, we attempted to give you an idea about the present status of travel business and its future prospects. The present status of tourism industry is directly associated with the efficient provisions of products and services. In fact, it is attributed to the integrated efforts made by the tourism organisations and various private associations. However, what we achieved today may not repeat tomorrow. As demographic, socio-structural & socio-cultural developments, information technology, deregulations, globalization, liberalization and changing public attitudes have posed constant challenges to the Indian travel

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agency and tour operation business organisations. To compete with the future challenges one must have sound resource base, management, Human resources and close linkage with the other related organisations.

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### **4.5 Answer to Check Your Progress:**

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#### **Check Your Progress - I**

1) See sub-sec.4.2.1

2) See sub-sec 4.2.2

#### **Check Your Progress - II**

1) See sec. 4.3.2

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### **4.6 Suggested Readings:**

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- Chand Mohinder (2006), Travel Agency Management - An Introductory Text, 2nd. (Ed.), Anmol Publications Pvt. Ltd., New Delhi.
- Chand Mohinder (2003), Tour Operation Industry in India; an Analysis of Operational Dimensions, in Tourism Development Journal, vol.1st, No.1.
- Ministry of Tourism, Govt. of India, Travel and Tourism in India Report, Sept. 2006.
- Summary of TAB working report No. 101, 2005, [www.buerotab.com](http://www.buerotab.com).
- WTTC report, 2004.
- WTO report, 2005

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### **4.7 Review Questions:**

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1. Critically examine the present status of the tourism industry in India.
  2. Illustrate the prospects of travel trade in India.
  3. Explain the factors responsible for the future growth and development of the tourism industry in India.
  4. Discuss the role and contribution of travel agency and tour operation business in further growth of tourism business.
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**4.8 Glossary:**

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- **Destination:** A place that has touristic appeal.
- **Budget hotel:** A hotel that caters for the demands of the economy tourist class.

## **UNIT-5**

### **Core Area of Travel Agency Business & Function (Ticketing, Travel Facilitation, Documentation, Marketing etc.)**

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#### **Structure**

5.1 Objectives

5.2 Introduction

5.3 Origins of Term Travel Agency

5.4 Need for Travel Agency

5.5 Meaning & Definition of Travel Agents

5.6 Types of Travel Agency

5.6.1 Definition of Retail Travel Agency

5.6.2 Definition of Wholesale Travel Agency & its features

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5.6.3 Full Services Travel Agency

5.6.4 Implant Agency

5.6.5 Special interest Travel Agency

5.6.6 E-Travel Agent or online Agents (OTA)

5.7 Functions of Travel Agency

5.7.1 Providing Travel Related Information

5.7.2 Planning tour itineraries

5.7.3 Liasoning with the tourism supplier/vendor

5.7.4 Costing of tours.

5.7.5 Marketing & Promotion of tour packages

5.7.6 Ticketing

5.7.7 Travel Documentation

5.7 (a) Passport

5.7(b) Visa

5.7 (c) Provision of Foreign currencies

5.7 (d) Travel Insurance

5.7.8 Settlement of Account

5.8 Summary/Let's sum up

5.9 Glossary

5.10 Check Your Progress

5.11 Clues To Answers

5.12 References

5.13 Terminal Questions

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**5.1 Objectives:**

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After reading the present unit, the learners will be able to:

- Explain the significance of travel agency business in the tourism Industry
  - Define the term travel agency and travel agent
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- Understand the different types of Travel agencies

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**5.2 Introduction:**

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In Unit-5, the learners will understand the core areas of the Travel agency business. Under core areas of the travel agency business, we will discuss the meaning, functions and needs of the travel agency. A focus will be also given on the concept, different types and the role of the travel agencies in the tourism industry. In the functions part, the learners will know, the various functions offered by travel companies. Some important functions of a travel agency are: to provide travel-related information, planning & preparation of the tour itineraries, ticketing, tour packaging, MICE, travel documentation etc.

Here, learners will also understand the linkages of a travel agency with other companies and people. It will help them to know about the significance of making relationships with others. Further, a focus will be also given to the necessary documents to travel to any foreign country. These essential documents include passport, VISA, health certificate and forex.

Therefore, now it is clear that after completing the present unit, the learners will get the complete information about the travel agency' meaning, types, functions and essential documents required to travel to any foreign country.

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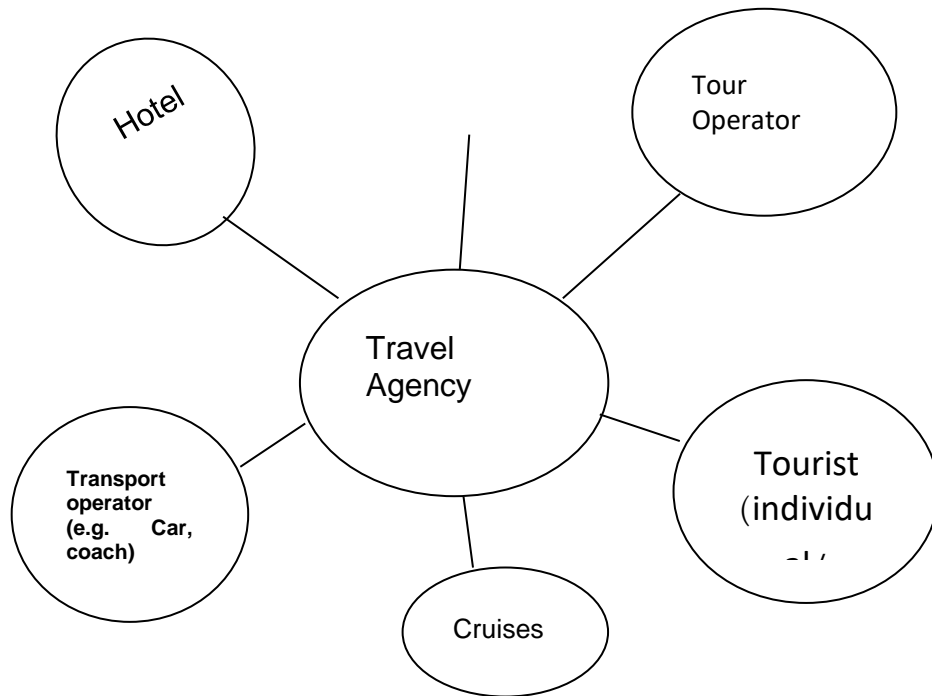
**5.3 Origin of the term Travel Agency:**

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The Term travel agent coined in the early years of the eighteenth century. At that time was very simple with no formalities that exist today. the different modes of transport available today were also not present in those times. People were more motivated to travel only after the transportation system such as railroads developed and organized travel came into the picture.

The rising income due to industrialization and urbanization is another factor that has helped in the growth of organized travel can be associated with Thomas

Cook, the founder of Thomas cook group limited, who was not only the first organized travel agent in the world but also the invention of the travel and tourism business as it is today.



**Fig.5.3 Principal suppliers for a travel agency**

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#### **5.4 Need for Travel Agency in Tourism:**

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Tourism requires a wide range of tourism-related services ranging from assistance in procuring a Passport, Visa, airline tickets accommodation, information about the destinations and attraction, local transport & other service. Tourism suppliers of the tourism Industry need to approach their potential customers and need them effectively . so that the task of the travel agent is to link the supplier of tourism service to the consumer therefore the demand of both the supplier and the consumer are fulfil. This link in the tourism system is travel agent means through which the tourism product is sold to the customer or tourist.

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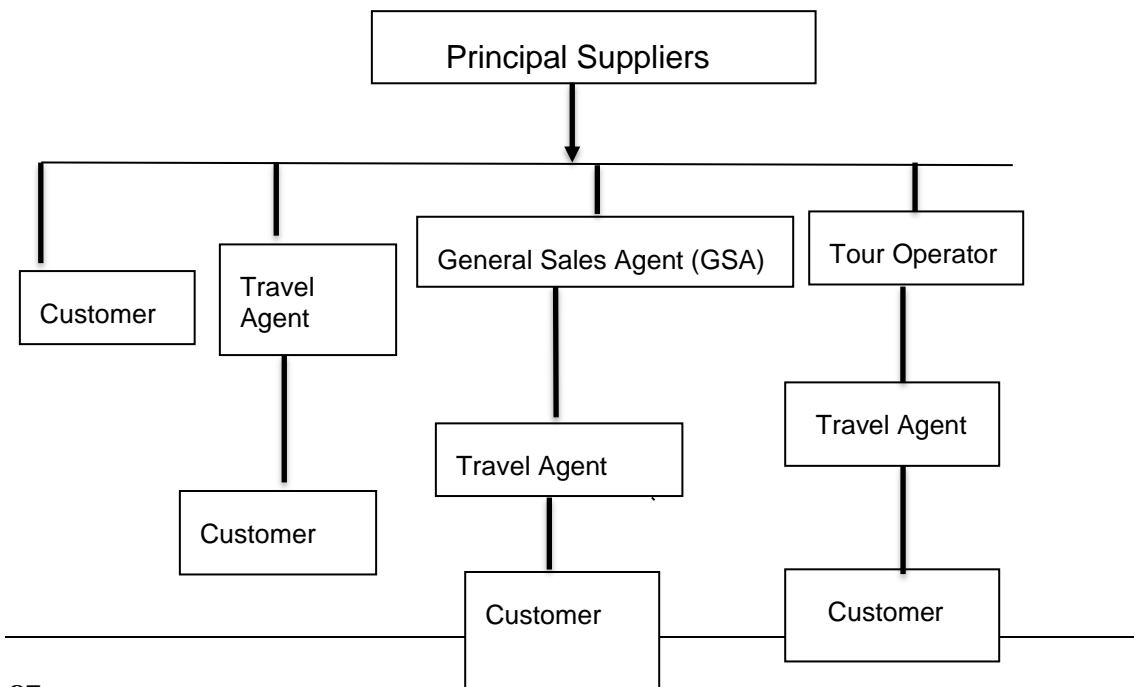
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They form their channel of distribution. Their role is to bring the customer of distribution plays an important link in the tourism system, linking tourism supply and demand.

**Travel Agents** either working for a travel agency or individuals working on their own assist their clients in planning their trips, planning tour itineraries, making reservations for airlines, hotels, and other services. They act as intermediaries between the customer and the principal supplier. They sell a variety of travel products and services and help their client in turning their dreams into reality. The Travel Agent/Travel agency sells the principles services and is rewarded by commission.



**Fig.5.4 Distribution Channels used by suppliers.**

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**5.5 Meaning and Definition of Travel Agency:**

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**Definition of Travel Agency:**

A Travel Agency may be an individual, a business firm, or a company that acts as an intermediary in the sales and promotion of different travel-related services, such as accommodation, airlines, railways, road transports cruise, etc and earn commission received on selling services to its clients.

A Travel agency can also be referred to as a retail travel agency since it sells the various services offered by the travel supplier directly to its customers.

**Meaning of Travel Agency:**

A travel agency means the intermediaries agency between the tourism service supplier and the customer or is a retail business that sells travel-related products and services to customers on behalf of suppliers such as airlines, car rentals, cruise lines, hotels, railways, sightseeing tours and package holidays that combine several products. In addition to dealing with ordinary tourists, most travel agencies have a separate department devoted to making travel arrangements for business travellers and some travel agencies specialize in commercial and business travel only. There are also travel agencies that serve as general sales agents for foreign travel companies, allowing them to have offices in countries other than where their headquarters are located.

**Travel agent of /Travel Agency**

An individual who arranges travel for individuals or groups. Travel agents may be generalists or specialists (cruises, adventure travel, conventions and meetings.) The agents receive a 10 to 15% commission from accommodations, transportation companies and attractions for coordinating the booking of travel.

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They typically coordinate travel for their customers at the same or lower cost than if the customer booked the travel on his/her own.

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**5.6 Types of Travel Agencies:**

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As learner know that in the earlier days travel was mainly by sea and railway; tickets were sold directly at the offices of the steamship companies and the railway stations. But when the airlines and the transport operators started operating, they were unable to earn a profit, as they could not sell enough tickets through their own offices. The airlines, therefore, were forced to identify sales outlets and this started the concept of retail travel agencies.

To boost their sales, the airlines offered higher commissions to the travel agent.

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**5.6.1 Retail Travel Agencies and its Definition:**

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A retail Travel Agency sells the different travel-related services directly to its clients on behalf of the principal service providers/services, i.e hotels, airlines, cruises, railways, coach operators, etc. and in return earns a commission from them. The retail travel agency may add a markup cost on these travel services. Thus, it earns its income from the commission earned from suppliers as well as from the markup.

**Definition:**

**According to Airlines Reporting Corporation (1987)**, a retail travel agency is defined as a business that performs the basic function of quoting fares and rates, books seats for airlines, railways, coaches, makes reservations for hotels, arranges for passports, visas and other documentation services, and acts on behalf of the tourism vendors’.

**The services performed by a retail travel agency are as follows:**

- Preparation of tour itineraries
- Transportation- air, rail and road.
- Accommodation

- Insurance services
- Foreign exchange
- Travel documentation
- Special interest tour

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**5.6.2 Wholesale Travel Agency Definitions and its Features:**

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**Wholesale Travel agency:**

A Wholesale travel agency plans, organizes, develops and sells packages tours through a network of travel agencies or directly to the clients if it operates as a retail travel agency. Some travel agencies operate as both retail as well wholesale travel agencies, for example, Thomas Cook, Travel Corporation of India, etc.

The Wholesale travel agency assembles the different components of travel and forms a package to suit the needs of tourists. A wholesale travel agency thus designs package tours and sells them under its agency's name.

**Feature of wholesale travel agency:**

The feature of the wholesale travel agency is as follows:

- It serves as a link between the principal travel suppliers and retail travel agencies.
- It negotiates with the travel suppliers for the best possible rate on the bulk booking.
- It assembles the various travel components such as hotels, airlines, rail and ground transport to form a package tour.
- It researches to know the changing preference of tourists.
- It markets and promotes its products through advertising, etc. to increase sales volume.

There are many ways in which travel agencies can be further classified. Travel agencies are generally classified as follows:

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**5.6.3 Full-Service Travel Agency:**

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A full-service agency organizes and handles all types of tours for leisure, free individual travellers (FITs), group individual travellers (GITs), corporate travellers, etc inbound, outbound and domestic destinations. Individual departments work on the different functions of travel agencies, for example, leisure department, inbound department, outbound department, trade fairs, accounts, etc.

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**5.6.4 Commercial Travel Agency:**

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**Commercial Agency:**

Commercial agencies are specialized in meeting the requirements of corporate travellers. Such agencies are mainly located at the business centre and cater only to business travellers. Walk-in or individual travellers are not served by these agencies. The airline, hotel, car/coach, documentation. etc, are all looked after by the trained staff.

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**5.6.5 Implant Agency:**

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**Implant Agency:**

It is the branch office of a full-fledged travel agency/tour operator functioning on the premises of a corporate office. It handles all travel arrangements of the corporate office.

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**5.6.6 Special Interest Travel Agency:**

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**Special Interest Travel Agency:**

Specializes in creating tour programs for special interest groups, such as adventure, wildlife, religion etc. For example, Pug Mark, Pune.

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**5.6.7 E-Travel Agents or Online Travel Agents (OTA):**

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**E-travel agents or online travel agents (OTA):**

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Also, known as virtual/online travel agents (VTA's) or e-retailers, they are the new generation travel agents such as MakeMyTrip.com, Yatra.com, ezego1.com, Travelgure.com, and lastminute.com. These web portals allow consumers to access information and make online bookings.

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### **5.7 Functions of Travel Agency:**

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The Travel Agency being an intermediary has an active role in providing quality services to the tourist.

**The Travel Agency performs several functions such as:**

- Providing Travel Related Information
- Planning tour itineraries
- Liaisoning with the tourism suppliers/vendor
- Costing of tours.
- Marketing & Promotion of tour packages
- Ticketing
- Travel Documentation
  - Passport
  - Visa
  - Provision of Foreign currencies
  - Travel Insurance
- Settlement of Account

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#### **5.7.1 Providing Travel Related Information:**

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Providing travel-related information is one of the most important and basic functions of the travel agency business. When the client or prospective client arrives in the office of the travel agency, he seeks information that could help him undertake the tour. So that travel agency provides necessary information about travel to their client. Therefore the travel agency professional should have deep and detailed knowledge of the tourist destination, major attraction, weather

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condition, accessibility, culture, location, destination on the distance from the airport /railway station, different categories of hotels and the services provided by them, etc. The staff should well trained & skilled, fluent in the local language – English & foreign language if dealing with foreign countries.

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**5.7.2 Planning/Preparing of Tour Itineraries:**

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Planning of tour itinerary is a second mandatory function of the travel agency. It is the most important component of the domestic, inbound & outbound tours whether group or individual tours.

The tour professionals after receiving the client's preference of destination to be visited his/her approximated date of travel and duration, the mode of transport, routing, hotel, etc. It has to plan the itinerary to suit the client's needs. The itinerary is suited to the client's needs.

The itinerary is a preplanned tour programme in sequential order like day by days description of tour & as per the itinerary identify the origin points to destination points & destination en routing point, hotel needs, mode of transport, sightseeing, car/coach and other relevant details related to the tour.

**Before planning a tour for his/her prospective customer, a travel agent must answer the following question :**

- Who are the potential buyers and where do they come from?
- What are their likes & dislikes?
- What are their transport preferences?
- Whether they would mix business with excursion?
- What are their special preferences if they are travelling along with their families, elders children's, or disabilities etc.?
- When would like to start their itineraries?
- When they would like to end such itineraries?

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**5.7.3 Liasoning with Tourism Services:**

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The tourism suppliers are the airlines, railways hotels, transport operators, Cruise companies, tour operators, travel insurance companies, etc. The travel agents, before selling any travel product to their clients have to contact their service providers on their behalf.

The travel agent has to negotiate for the best possible rate from the service providers. The suppliers give a certain amount of fixed percentage as a commission to the travel agents for selling their products. Some service providers also give net rates as per their business relationship and business agreement or contract with the tourism suppliers in this regard.

This commission structure, period of the contract, and terms and conditions are mentioned in the agreement.

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**5.7.4 Costing of the Tours:**

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As learner will understand about the Costing of tours and most important function of the Travel agency. after the Liasoning with tourism supplier /vendors agents go for the cost of tours. After planning the tour and negotiating for rates with the principal supplier, the next job of the travel agent is to do the tour costing. the cost of the tour is done for both the inclusive tours(package tours and individual tours). The tour costs are worked out on a per-person basis which. in the **domestic tours included**–hotel, Meal charges, airlines airfare, hotel airport transfers charge, sightseeing by Car/Coach, guide fees etc.

In **international tours costing** include - hotel airlines, cab and coach transfers, Visa, passport, travel documents, forex arrange, traveller cheque, guide, local transport. The tries to provide the best facilities at least cost as per the client requirement and budget. Therefore tour arranges by travel agency must be well-planned and cost-effective.



The plans must be made in such a manner as to deliver the best possible level of comfort and economy to the traveller and per the economic level of the client.

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#### **5.7.5 Ticketing:**

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Ticketing is one of the most common functions of a travel agency. The travel department of a travel agency has two sub-department-domestic ticketing and International ticketing. The ticketing department is responsible for handling ticketing query whether it is domestic or international.

The executive at the travel desk should aware of the computer and internet familiarity. He has good knowledge of flight schedules of various airlines and airlines applicable for a journey like - Special fare, discounted fare, night fare, classed to travel, classes of travel, special fares, booking and cancellation rules, booking update, per phone and the city code and airport code and airlines code, reservation code, special service etc.

The travel desk counter executive have good knowledge of Computer reservation system (CRS) is commonly used for making airlines bookings. Travel agent executives should also be familiar with Global distribution systems (GDSs) such as Amadeus, Galileo, Abacus etc.

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#### **5.7.6 Reservation:**

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After ticketing reservation is the most important function of the travel agents. The travel agent after getting the confirmation and initial payment from the client has to book airlines seat, hotel rooms, transportation arrangements and other services as per the requirement of the clients.

The tour professionals should thus be familiar with the term and abbreviation used for and hotels. The travel agents executive preferably used the phonetic alphabet used at the time of making the reservation on the telephone. Once the booking has been confirmed and payment makes by the client, the travel agent

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executive confirm the ticket, itinerary and raise the voucher to be handed over to the client.

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**5.7.7 Travel Documentation:**

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As learners understand that after the Reservation another important function of the travel agency is to prepare or arrange the travel documentation for the client. Travel documents are the papers associated with the travelling abroad particulars of the international journey including - airline ticket, another ticket, hotel voucher, Visa, Travel Insurance, foreign exchange (forex) and Passport. The documentation department helps its clients to provide facilitates Service.

**The basic document service is necessary for any passenger is such as:**

- a) Passport
- b) Visa
- c) Travel Insurance
- d) The Foreign Exchange
- e) Health documents (health certificate )

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**5.7.7 (A) Passport:**

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The is an official document, which is defined as “ an official document issue by a competent public authority to national or to an alien resident of the issuing country ‘

A Country government issue a passport to a citizen allowing them to exit and enter their own country and to seek entry into and exit from foreign countries.

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**5.7.7 (B) Visa:**

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VISA stand for visitor intended stay abroad. when a person wants to visit foreign country permission has to be sought from the foreign government representation, which permits him/her to enter and stay in a foreign country for a specific purpose.

The VISA issue depending upon the nature of the person's abroad The consulate of the visiting country is authorized to issue a VISA.

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**5.7.7 (C) Travel Insurance:**

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Travellers can face many health-related problems at the time of travel to abroad. If a traveller takes a travel Insurance cover hem can make a smooth ride through the problem in terms of paying off the expenses through the insurance cover. when a passenger buys a travel insurance cover, the need to cover safety and security or medical contingencies. To avoid such a situation a passenger is advised to take a travel insurance cover to help take such problems.

Apart from the health, policies are made for covering lost baggage, any financial failure of the service provider s and other misfortunes etc. The Travel Insurance policy can be bought from insurance companies clines bank directly through the insurance companies like-ICICI Health, travelling, Reliance Insurance. The Policy varies as per the period and the rules of different countries. There are different levels of coverage and will vary from policy to policy.

**A travel insurance policy generally covers the following :**

- **Medical and other related expenses.**
- **Personal liability**
- **Cancellation, missing departure**
- **Hi- Jacking aircraft**
- **Travel trade indemnity (Travel Agency, Bankrupt)**

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**5.7.7 (D) Foreign Exchange:**

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After the documentation foreign currency is the next function of the travel agency. If somebody wants to travel abroad he/she need foreign currency. The travel agent provides foreign exchange for travel abroad. The foreign exchange is given to the traveller in the form of cash or traveller cheque. which can exchange in any foreign country. The foreign exchange is issued based on the

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guidelines of the reserve bank of Indian (RBI) under FERA (Foreign Exchange Regulation Act).

**The different forms of foreign currency are :**

- **Cash**
- **Credit Card**
- **Traveller draft**
- **Bank draft**
- **Telegraphic transfer**

The money the traveller is entitled to carry while travelling abroad is termed as BTQ, which means a basic travel quota.

**For Indians travelling abroad:**

Other than for business purposes is entitled to a BTQ of USD 10,000 per trip & a business traveller is entitled to a BTQ of 25,000 per trip. The basic document required for issuing BTQ needs a BTQ form, a valid passport of the traveller, a confirmed ticket and a visa stamped in the passport.

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**5.7.8 Settlement of Account:**

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As learner know Settlement of Account with the tourism supplier/client is one of the major functions of a travel agency. Settlement of Account-linked with the function of ticketing and reservation of accommodation in a hotel for the client.

The accounts department play an important role in the travel agency.

The working in the accounts department should be familiar with and have a thorough knowledge of foreign Currencies, their cross value, exchange regulation etc. which vary from country to country.

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**5.8 Summary**

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After this Unit now we have understood the core area of the travel agency business & the function of the Travel agency. Under the core area of travel agency, we have understood the meaning, definition & type of travel agency in

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travel agency organization. In this unit, we also understood what is the role of the travel agency function & the responsibility of the travel organization. Through this unit, the learner understood the concept of a travel agency & how to get benefits from the customer from travel agencies. In this unit, we also understood how we run travel agencies through travel agency functions.

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**5.9 Glossary:**

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**Travel Agent:** An individual who arranges travel for individuals or groups. Travel agents may be generalists or specialists (cruises, adventure travel, conventions and meetings.) The agents receive a 10 to 15% commission from accommodations, transportation companies and attractions for coordinating the booking of travel. They typically coordinate travel for their customers at the same or lower cost than if the customer booked the travel on his/her own.

**Visa:** A validating document placed in a passport by a foreign government, indicating that the traveller's passport has been examined and the passport holder may travel to that specific country. Not all countries require visas.

**Tour Wholesaler:** A company that doesn't sell to the public but through travel agents and particularly tour and coach operators. They generally rely on low margin, mass-market products.

**Tour Wholesaler:** An individual or company that sells tour packages and tour products to travel agents. Tour wholesalers usually receive a 20% discount from accommodations.

**Tourism:** the term for the movement of people to destinations away from their place of residence for any reason other than following an occupation, remunerated from within the country visited, for a period of 24 hours or more.

**Itinerary:** A travel plan or schedule which includes all travel details such as date-time, mode of transport, accommodation, etc. for travellers.

**Passport:** An official document required to travel outside the country which proclaims the citizenship of the holder.

**Electronic ticket:** An airline ticket in the form of a computer entry. An electronic ticket, or e-ticket, is supposed to function as an actual paper ticket by reserving you a space on a flight; all you need to do is give an identification number and show an ID at the airport. But you should also bring the written receipt sent by the airline in the event the airline's computer system has crashed or the airline has lost your reservation.

**Foreign Tourist:** Any person visiting a country, other than that in which he/she usually resides, for a period of at least 24 hours (Committee of Statistical Experts of the League of Nations, 1937).

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**5.10 Check Your Progress:**

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- 1) **What is Travel Agency?**

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- 2) **What is the need for Travel Agency in the tourism industry?**

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3) **What do you mean by Travel Documentation?**

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4) **What is the importance of Travel related Information?**

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5) **What is the importance of the Travel Agency function?**

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**5.11 Clues to the Answers:**

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- 1) Refer Sec. 5.5
- 2) Refer Sec. 5.4
- 3) Refer Sec. 5.7.7
- 4) Refer Sec. 5.5.1
- 5) Refer Sec. 5.7

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**5.12 Terminal Questions:**

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- Q1. What is Travel Agency? How many types of Travel Agencies are there?
- Q2. Explain the Function of Travel Agency?



## UNIT-6

### **Different Departments of Travel Agency and Organizational Structure of Standard Travel Agency**

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#### **Structure**

6.1 Objective

6.2 Introduction

6.3 Different Departments of Travel Agency

6.3.1 Tour Department division

6.3.2 Ticketing Department

6.3.3 Travel Documentation Department

6.3.4 Foreign Exchange Department

6.3.5 MICE Department

6.3.6 IT Department (Information Technology department )

6.3.7 HR (Human Resource Department)

6.4 Organization Structure of Standard Travel Agency

6.4.1 Organization Structure of Small Scale Travel Agency

6.4.2 Organization Structure if large Structure Travel Agency

6.5 Summary/Let's Sum Up

6.6 Glossary

6.7 Check Your Progress

6.8 Clues to Answer

6.9 Reference

6.10 Terminal Question

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**6.1 Objectives:**

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After reading the present unit, the learners will be able to:

- Understand the various departments of a travel agency.
- Explain the Organization Structure of a travel agency.

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**6.2 Introduction:**

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In the present unit, you will understand the different departments and the Organizational Structure of a standard travel agency. Some important

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departments of a large size travel agency are the ticketing department, tour packaging department, reservation department, MICE (Meeting Incentive Conference Exhibition) department, information technology (IT) department, Human Resource (HR) department and Accounts Department. Here, the focus will be also given on the different roles, responsibilities and significance of the various departments of the travel companies.

In the second phase of the unit, the learner will understand the organisational structure of the travel agency where you will learn the different positions that exist in various departments of a large size travel company.

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### **6.3 Different Departments of a Travel Agency:**

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As we know that the different departments of a Travel Agency play a very important role in the travel agency business. As learners understood the departmentalization is depended upon the Size and Volume of operation of a travel agency. so that we can say that the responsibility of the manager is to focus the departmentalization for effective functioning of the travel agency. As learner have understood that in the departmentalization of Travel agency we have the various department of a travel agency details as under below:

#### **Different Departments of the Travel Agency:**

##### **1. Tour Packaging Department:**

- (a) Domestic Tour Division.
- (b) Inbound and Outbound Tour Division.**

##### **2. Ticketing Department:**

- (a) Domestic Ticketing Division.
- (b) International Ticketing Division.**

##### **3. Travel Documentation Department:**

- (a) Passport
- (b) VISA**

(c) Travel Insurance

(d) Forex

(e) Health Certificate

**4. MICE Department:**

(a) Arrangements for Meeting

(b) Arrangement for Incentive Tour

(c) Arrangement for Conference.

(d) Arrangement for Exhibition

**5. IT (Information technology) Department**

**6. HR (Human Resource) Department:**

(a) Employee's recruitment and selection

(b) Employee's training and development

(c) Induction Programme for new employees

**7. Accounts Department**

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**6.3.1 Tour Packaging Department:**

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Tour packaging is one of the important departments of the travel agency & it is responsible for the domestic, inbound and outbound tour operations. This department prepares complete tour packages including bookings of the hotel rooms, hiring transport modes, making of the tour itineraries etc. This department is divided into three categories: domestic, inbound and outbound tour division.

**(A) Inbound Tour Division:**

The large scale travel agency having an inbound tour division. Inbound tour department handling inbound tourists. Inbound tourists coming from overseas. This division provides various services for inbound tourists right from their arrival to departure such as – at the time of arrival Air transfer, accommodation,

local sight by car/coach, entertainment, guide, escort and another ground service.

The Inbound tour division gets their business directly from the individual or through the foreign tour operators. Inbound tour division help in boosting of travel agency company through huge & valuable commission in term of foreign currency earning.

**(B) Outbound Tour Division:**

The outbound tour division is the second most important part of the tour department of the travel agency. Outbound tour division operates tours for foreign countries. The Outbound tour division design and marketing tour packages for people interested to travel to foreign countries. Outbound tourists are those tourists who visit another country for the purpose may be leisure and recreation.

The responsibility of the outbound tour division is all the necessary arrangements and Documentation for Outbound tourist such as - Passport, Visa, ticket, hotel booking, accommodation, transfer, ground arrangement, sightseeing, coordinating foreign tour operator & the earning source of the income is the commission for the Outbound tour service supplier company.

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**6.3.2 Ticketing Department:**

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The ticketing department is the most important department of the Travel Agency. This department supports both the Inbound and outbound tour divisions because it provides the airline's tickets. The ticketing department has the following subdivisions:

- (1) Domestic ticketing division
- (2) International ticketing division

**(a) Domestic Ticketing Division:**

Domestic ticket is the term used for all travel within the country. with the growth of the airline's network, frequency complications between airlines. It is the busiest department of any travel agency. The responsibility of the domestic ticket desk executive to provide check the flight schedule, check the status flight, issue the ticket and hold the air ticket for domestic tourists. The executive desk good knowledge of city code and airlines code and he is well computer and internet savvy. For domestic ticketing, executives use computer reservation systems like Amadeus, Galileo, Sabre etc.

The domestic ticket desk executive of good knowledge of airlines name, cancellation process, well aware of special service for special passengers.

**(b) International Ticketing Department:**

The international ticketing division is the second most important ticketing division of the international ticketing department of the travel agency the responsibility of the international department is to handle the query regarding international travel. International ticketing executives should good knowledge of international airlines schedule knowledge country code, city code, airport code, IATA rules & regulations, good knowledge of International airline fare rules, and having good handling of Computer reservation systems.

Therefore we can say that through International ticketing division boost up the Outbound Journey and Outbound Tour promotion of Intentional tourism promotion.

It is the one most important earning source of the travel agency.

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**6.3.3 Travel Documentation Department:**

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The travel Documentation department is one of the most important departments in the travel agency. The responsibility of the travel documentation department is the preparation of travel documents for the outbound traveller.

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This department provides facilitation services to the client such as:-

- Passport
- Visa
- Travel Insurance

Travel Documents are the papers associated with a particular Journey including air tickets, Hotel vouchers, Visa, Passport, Travel Insurance, foreign exchange etc.

**(a) Passport:**

The Passport is an official Documents which is issued by the competent Public authority to nationals or alien residents of the issuing country.

**(b) VISA:**

Visa stands for “visitor intended stay abroad”. Visa is an official confidential document or

Stamped of the visiting country or it shows on your passport and it show the permission of the foreign government for visit stay abroad. As Stamped of the visiting country or it shows on your passport and it shows the permission of the foreign government for visit stay abroad.

**(c) Travel Insurance:**

Travel insurance is one of the most important travel documents at the time of travel abroad. Customers can obtain insurance through a travel agent. because the traveller can face many health-related problems If traveller takes a travel insurance policy cover :

- Medical and related expenses
- Personal liability
- Cancellation missed departure.
- High Jacking.

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**6.3.4 MICE Department of Travel Agency:**

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MICE stands for Meeting Incentive Conference Exhibition. MICE is one of the most important departments of large Scale Travel agencies. This department handling MICE tourists for business organizations & getting huge Commission from travel agency linkages.

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**6.3.5 Information Technology Department:**

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It is the most important department of the travel agency because information technology also plays a vital role in the travel agency. because in a world without IT we can't do anything in the travel agency. In the IT department, such things come under mention below.

**1) Internal Computer system**

IT department handle & Trouble shoots of the internal computer system.

**2) Company Website handle**

In the IT department also update the company website & troubleshoot the problem.

**3) Handling Toll-free no software**

Under IT department maintaining and handling the company toll-free number software of travel agency.

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**6.3.6 (HR) Human Resource Department:**

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The human resource department is one of the most important departments of any travel agency. Without the HR department, we can't run a large scale Travel agency. So that responsibility of the Human Resource department is time to time conduct new & existing employment training.

- Recruitment of all the departments for Human resources.



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- The human resource department conducts a time to time personality development programme for all departments. Whether they are new employees or existing-working employees.
- One of the major responsibilities of HR department delivered the report for performance appraisal, hiring, firing the employee as per the performance of the employee.

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### **6.3.7 Accounts Department:**

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The accounts department is the backbone of any travel agency. It deals with all the financial transaction matter of the company. working or Accounts department -

- Maintain all Income and expenditure records of the company.
- Handle all the revenue either cash cheque and other forms of income.
- Accounts department coordinate with all the supplier and vendors of travel agency like – payment receiving and sending to other travel agent and the service supplier.
- The accounts department is also making the employee salary and handling the financial transaction of with in the travel agency.

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### **6.3.8 Foreign Exchange Department:**

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The foreign exchange department handles all foreign currency transactions with the client and other foreign vendors. It provides the foreign currency for the outbound traveller and makes the conversion of the foreign currency. -like Dollar, Euro, Diner, Great Britain Pound.

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### **6.4 Organizational Structure of the Standard Travel Agency:**

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Travel agency depends on the type of client and Volume of business. As per the business segment, they divided into the department and as per the size of the business, they developed an organization structure.

**Organization structure of Travel agency. We can be divided into two parts-**

- 1) Organization structure of large scale travel agency/standard travel agency.
- 2) Organization structure of Small scale Travel agency.

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**6.4.1 Organizational Structure of Large-Sized Travel Agency:**

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Large scale travel agency has its qualified staff and skilled dominated in major cities of the world. both types of travel agency produced managers of each department accordingly. Each to delivered the enteric product and service package to the tourist

shows the Organization structure of standard/ large travel agency. It is a public limited company or MNC of the cases. A large travel agency may become a producer of tourism services with time. In that case, it may acquire hotels, motels, resorts, cruise lines etc. Then, it operates as a producer-cum-distribution.

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**6.4.2 Organizational Structure of Small Scale Agency:**

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A small level travel agency can have tie-up with another small size of tourism service suppliers. whereas a large scale Travel agency tie-up with large or all service suppliers according to the business because of the large size of business.

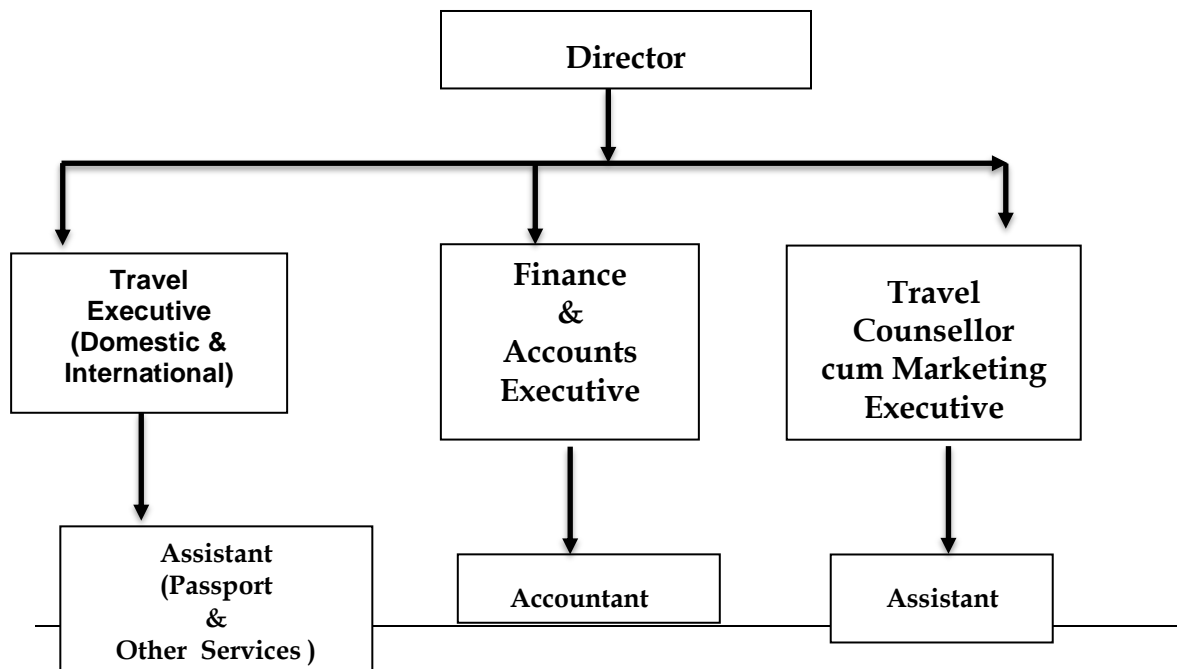


Fig 6.4.2:- Shows the organisational structure small travel agency. It is a private limited company in most of the case. A small travel agency can become a large travel agency with time.

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**6.5 Summary:**

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After going through Unit-6, the learner have understood the different departments of the Travel Agency. Through this learner have understood about the working profile of different department in the Travel agency, Organization structure of Travel agency.

In this Unit, learner understand the Organization Structure of various levels of the Travel agency. At the end of this learner understood about the Organization structure of travel agency depend upon the size and volume of business handle the company.

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**6.6 Glossary:**

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**Agent-** A person authorized to act on behalf of another, for example, a travel agent is authorized by the provider of services such as airlines, car rentals, tour operators, hotels, etc to sell travel-related services on their behalf.

**Convention-** An assembly of people meeting formally to discuss common issues and formulate policies. Conventions are normally annual events and attended by a large number of people.

**Meeting-** In the context of tourism, it may be defined as an organized event, which brings people together to discuss a topic of common interest that may last for new hours or few days and which utilized services of the tourism industry.

**Exhibition or Trade fair-** It is the display and sale of a product or service to an invited audience or the general public, with an aim to creating awareness and

promoting products. They are of importance to the tourism Industry because buyers, sellers and exhibitors travel a long distance to visit them.

**Incentive Travel-** Incentive travel is offered to motivate or reward staff exhibitions are organized to promote the corporation etc.

Domestic Tourism - Travel undertaken within one's own country.

**Tourism:** the term for the movement of people to destinations away from their place of residence for any reason other than following an occupation, remunerated from within the country visited, for a period of 24 hours or more.

**Web Fare** (also referred to as an Internet fare) - A highly restricted fare the airline offers only on the Internet for a limited period.

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**6.7 Check Your Progress:**

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**1) Throw a light on the different departments of a travel agency?**

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**2) Discuss the various functions performed by the ticketing department?**

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3) Discuss the roles and responsibilities of the tour packaging department?

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4) Describe the various functions performed by the foreign exchange department?

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5) Describe the responsibilities of the travel documentation department?

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**6.8 Clues to Answer:**

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1) Refer Sec. 6.3

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- 2) Refer Sec. 6.3.2
- 3) Refer Sec. 6.3.1
- 4) Refer Sec. 6.3.4
- 5) Refer Sec. 6.3.3

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**6.9 References:**

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- Roday, Sunetra.Biswal, Archana and Joshi, Vandana 2011, Tourism Operations and Management, Third Edition, Oxford University Press, New Delhi. P173.
- IGNOU 2003, School of Social Science MTM -13 Tourism Operation, New Delhi. P.79.PP. 85-86.
- Kumar.A.2005, Tourism Administration and Management UGC-NET/First Edition, Cosmos Bookhive(P) Ltd., Gurgaon, PP6.17-620.

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**6.10 Terminal Questions:**

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Q1. Briefly Describe the Departmentalization of Travel Agency?

Q2. Describe the Organization Structure of Standard Travel Agency?

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**UNIT-7**

**Setting up a Travel Agency, Fiscal & Non-Fiscal Incentive  
Provided by the Government and Source of Income**

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**Structure:**

7.1 Objectives

7.2 Introduction

7.3 Requirement of Travel Agency

7.3.1 Infrastructure & Financial requirement for Travel Agency

7.3.2 Approvals from Concerned body

7.3.3 Recognition from principle supplier for Travel Agency

7.3.4 Incentives & benefits (Fiscal & Non-Fiscal Incentive & benefits provided  
by the government.

7.4 Sources of Income of travel Agency.

7.4.1 Commission on selling their products to the clients

7.4.2 Incentive overrides.

7.4.3 Income from service charge

7.4.4 Mark-up on tours.

7.4.5 Wholesale fee

7.4.6 Profits for sale of own tours.

7.4.7 Commission from the mode of transport.

7.5 LET's Sum up/Summary

7.6 Glossary

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7.7 Check your progress

7.8 Clues to Answer

7.9 References

7.10 Terminal and Model Question

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**7.1 Objectives:**

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After reading Unit-7, you will learn:

- Essential requirements for setting up the travel agency business.
- About the fiscal & non-fiscal incentives provided by the Government for travel agencies.
- To understand the various sources of income of a travel agency.

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**7.2 Introduction:**

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In this unit, the learner will understand the basic requirements to set up a travel agency business, fiscal & non-fiscal incentives provided by the Government and Sources of Income.

As learner will understand what are the important things at the time of setting up a travel agency we need, various type of approval of concerning authority. At the time setting up of travel agency we also need the recognition from principle supplier of the travel agency like – Hotel Airlines, local transport company etc.

One of the most important things in this Unit is ‘what fiscal & non-fiscal Incentive with benefits provided by the government at the time setting up the travel agency.

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**7.3 Setting up of Travel Agency:**

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in setting up a travel agency business there are no legal requirements. In some countries, however, government exercise some kind of licensing control over

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agencies. Most principals' license the sale of their service through the issue of an agency contract or agency agreement. In the absence of such a contract or agreement, a travel agency will not get any commission from selling the service on behalf of the principal. The income of a travel agent is derived only from a commission that they receive from the principal after selling their services.

A lot of planning goes into starting and setting up a travel agency. Any kind of business is risky and the person involved should have proper knowledge of the product he/she is selling. Similarly, for a travel agency business, the person should have the good product knowledge and presentation skills. He/she should be clear about the product which he /she wish to sell / for example, whether the travel agency wants to handle domestic tours, inbound tours, outbound tours, or all of these, has to be decided in advance. This has to be decided by the travel agent at the initial planning stage. The staff to be employed should be trained properly to handle the queries asked by tourists. Qualified and trained staff should be hired by the employer to handle the clients.

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**7.3 (A) Requirement for Travel Agency:**

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The Travel agency can be successful if it meets the following minimum requirements:

- Enough finance to run the business.
- A centrally located premises or near a business centre.
- Qualified trained staff;
- Approvals from government and other organizations, such as the Indian tourism office, Ministry of tourism, IATA, and TAAI.
- Authorization to sell on behalf of principal suppliers, hotels, transport operators.

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**7.3.1 Infrastructure & Financial Requirement:**

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For starting a new business in this area the capital requirements are not very high.

The requirements in this regard require investment for the following:

- Buying or hiring of office space,
- Office furniture and furnishings,
- Communication equipment (like fax, telephone, Xerox, computers, etc.),
- Salaries for the staff, and
- Office materials (like files, labels, promotional brochures, letterheads, etc.)
- These capital requirements are not too high and because of this, we find some persons entering this business. (for raising funds to meet capital requirements )

While formulating the business plan or project report for starting the travel agency business an important point to be considered is the **location** of the agency.

Most of the travel agents have their offices in big cities with branches in small towns. In small towns also people have been setting up their travel agencies.

Travel agents compete for business in the area

where they are located. Hence, while deciding on the location of your office you should ensure that it is in the marketplace with close access to business or industry centre, institutions and their offices, or a neighbourhood of residents who travel a lot. Hence, some on the spot surveys are required for deciding the location.

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**7.3.2 Approval for Concerning Body:**

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A travel agency requires certain approvals for carrying the business and in this regard an approval from the International Air Transport Association (IATA) which is the World

The Organization of Scheduled Airlines is very useful. IATA has worked out International fares and rates and uniform transportation documents (airline

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tickets and airway bills) to facilitate the carriage of passengers and cargo worldwide. An IATA approved Passenger Sales Agent is an Agent who is capable of receiving commissions on International Air Travel documents. This commission is paid only to approved Agents. To apply for IATA approval, an application has to be submitted, by filling out the requisite forms and sent to Secretary, Agency Investigation, Panel No. **9(AIP-9)**. In this regard the following aspects are checked:

Ability to generate and procure air passenger transportation, Professional standing, Financial status, Business premises, and Staff ability and experience.

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### **7.3.3 Recognition from Principal:**

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A travel agency must seek recognition from the **Department of Tourism (DOT), Government of India** and also take licenses from the principal suppliers like the airlines and **Reserve Bank of India** along with recognition from the hotels. This is necessary for earning commissions on the business carried out.

#### **Department of Tourism:**

The **Department of Tourism, Government of India** has set certain rules for giving recognition to a travel agency and it gives a one-time approval. This recognition is given to those agencies only that have been in operation for at least one year. Reserve Bank of India license

To receive and deposit foreign exchange earned, with a **Bank** the agency should have a **Restricted Money Changer's Licence (RLM-3)** and proper returns must be filed with the **Reserve Bank of India** every fortnight. According to regulations, Indian Airlines has dollar fares for foreign tourists and there are incentives given by the Government for foreign exchange earning, so this license and record is very important to register your foreign exchange earnings.

**Hotel Recognition:**

Once a travel agency is recognized by the **Department of Tourism**, most hotels (whether they are 1-Star, 2-Star, 3-Star or Budget) and leading hotel chains will automatically give commission on business handled by a travel agency. The Department of Tourism's recognition gives creditability to the travel agency. It gives a standing in the Industry and the hotels feel reassured that their bills **will** be paid. Depend upon the volume of business, hotels may give 10% commission and credit and sometimes even an overriding commission.

At times special rates are negotiated to keep in view the volume of business. A good travel manager must know the art of negotiating special rates to maximize revenue.

A travel agency should also establish linkages with tour operators, tourist transport operators, tourist cargo operators, etc, along with getting recognized by the railways and state tourism development corporations.

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**7.3.4 Fiscal & Non-Fiscal Incentives & Benefits Provided by the Government:**

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The Government of India gives certain incentives and benefits to the tourism industry and a person intending to set up a travel agency should be aware of such benefits. For example:

1. Financial benefits are available under Section 80HHD to the travel agents. Under this 50% of earning profits in foreign exchange are free of income tax and the other 50% are also tax-free if they are ploughed back into the development of tourism.
2. The Department of Tourism gives prizes for various categories of travel agencies for foreign exchange earnings. This is an honour that acts **as** an incentive to boost foreign exchange earnings by the travel agency.

3. The **Tourism Finance Corporation of India** gives loans to persons for setting up travel agencies. The Department of Tourism, Government of India provides brochures, tourism-related data, etc. to travel agencies for promotional purposes.
4. The Department of Tourism, Government of India also assists the travel agencies for participation in tourism fairs, travel marts, and in official promotional delegations. Generally, such assistance is provided through the **Travel Agents Association of India (TAAI)** and travel agencies should become members of TAAI.

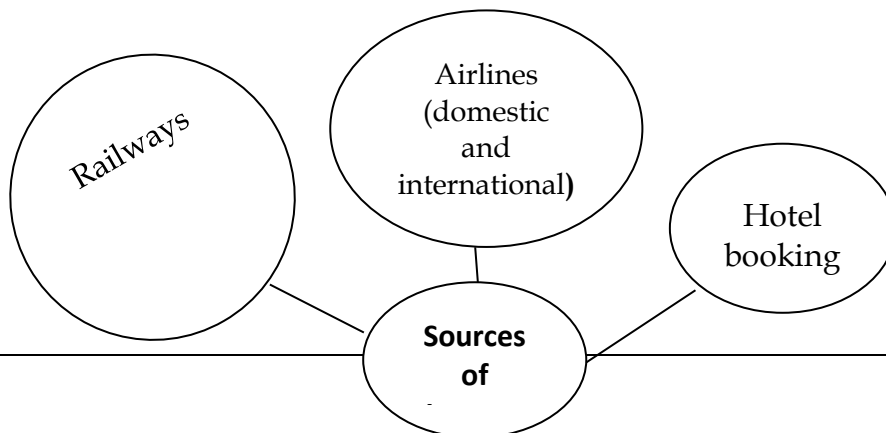
From time to time certain other incentives are given by the Government of India as well as the state tourism departments and a travel agency manager should keep track of these.

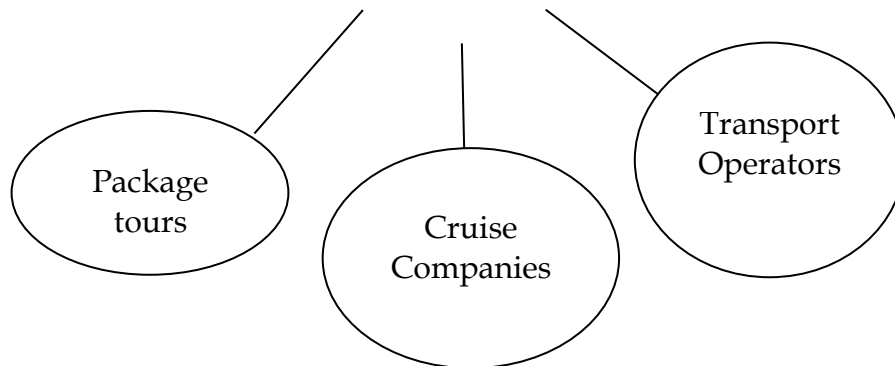
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#### **7.4 Sources of Income of a Travel Agency:**

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The travel agency and tour operator's main source of income is from the commission, which they get from the various travel service providers. The travel agency sells the airline seats, railway seats, hotel rooms, cruise package, car rental services, etc. and in return are paid a commission for each travel product sold by them for the respective airline, railways, hotels, cruise line companies, transport operators, and tour operators. The commission structure differs from supplier to supplier and also as per the business given by the travel and tour operator to these service providers. It ranges from five percent to 20 percent.





**Fig.7.1** A travel agency earns revenue from these principles.

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#### **7.4.1 Commission on Selling their Product to the Clients:**

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The industry suppliers pay these approved agents a commission on the service sold on their behalf. the commission is usually a fixed percentage of the sales prices of the or the service or the product sold and is paid to the travel agent /tour operator after the sale of the service or product. The commission is deducted from the final payment and the balance is forwarded to the principal. For example, a client purchases a tour worth Rs 20,000. If the commission for that tour is 10 percent for the tour operator the then the travel agent will retain Rs 2000 and forward the tour Operator the net amount of Rs 18,000.

Some service providers such as airlines give commission only to officially appointed travel agencies. Officially approved agencies are those agencies which are approved by IATA. To be an IATA approved agency the staff working in the agency must be IATA qualified. Non-IATA accredited agents work as subagents for IATA accredited agents and earn a commission of around 4.5 percent of the basic fare. The commission received from principal suppliers is shared by non-appointed or non IATA travel agents who obtain tickets from IATA appointed travel agents. Such commission is called split commission or shared commission.

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**7.4.2 Incentives or Override:**

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As learner have understood that, In addition to the commission, some service providers may pay incentives to the travel agents who have given a large amount of business in terms of sales volume to them. These incentives are referred to as overrides or bonuses.

The Commissions given by the principal suppliers are normally fixed, but some suppliers offer the agency an override, i.e. higher the sales, the higher will be the commission rate. Sometimes a part of this commission may be passed on to the customer as a discount rate.

Travel agencies also received incentives from tour operators. If they can sell a fixed number of tour packages in a fiscal year, the tour operators give them turnover incentives. The amounts of such incentives. The amounts of such incentives are mutually decided.

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**7.4.3 Service Charge for the Travel Agency:**

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Service charges are another source of revenue to travel agents which are charged for services rendered to the clients. For instance, for getting a passport or a visa the travel agency charges the client as they do not receive any commission on selling these services. Some service providers may give the travel agent very little commission which is insufficient to cover the expenses of the travel agency. Such charges are very high nominal and vary from Rs.100 to 250 per task.

In such cases, the travel agent charges the client for services rendered. The service charges differ from travel agency to travel agency and on the nature of service provided. Apart from commission and service charges, the agency gets additional income from other sources. They are as follow.

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**7.4.4 Mark-up on Tours:**

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Travel agents buy the travel products from the principal suppliers in large volume, at the net rate or discounted rate, and creates his/her package tour. The travel agents try to get the best prices for each component of the package tour and then add a mark up to the tour cost for selling it to the clients directly or through other travel agents.

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**7.4.5 Wholesale Fee:**

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Some wholesalers may not pay the usual 10 per cent commission to the travel agents for selling their tours. Instead, they will pay a flat fee for each reservation made.

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**7.4.6 Representation Fee:**

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The tour operators or airlines may not have their branch offices in all cities of the country or world. In this care, the tour operator or the airline may appoint a general sales agent (GSA), who could be a travel agent, to handle their business in these cities, to generate higher sales. The GSA will handle the service of the tour operator or principal service providers to promote the sales. The tour operator will pay a fixed fee on commission and a budget for advertising and promoting their products to the GSA.

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**7.4.7 Profit from Selling of Tours:**

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Some travel agencies operate as tour operators in limited areas of tourist interest, called sectors. Thus, they earn profits from the sales of their tours. We have already stated that some travel agencies graduate as tour operators after some time. It is quite natural if their operations expand in the domestic and international markets.



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**7.4.8 Commission from Tour Operators:**

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Travel agencies approach a tour operator for its services on the behalf of its client. It sells This services of a tour operator as a middleman between the tourist and the tour operator. It gets the commission, which is also part of its income.

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**7.4.9 Commission from Hotels:**

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Travel agencies books hotels on behalf of their clients, they market and sell the hotel services and get a commission in return.

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**7.4.10 Commission from Transport Operators:**

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Travel agencies get a commission from various operators of transport operator services such as airlines, AC coaches, cruise lines, ships etc. These transport companies give a commission on a certain percentage to the agency that books the packages for its clients. Normally, this percentage varies from 2 per cent to 20 percent.

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**7.5. Summary:**

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After Completing this Unit learners have understood the various departments of a Travel agency, its working profile. Through this Unit, leaner's have understood what is the role of various departments of a travel agency. After understanding the department of Travel agency, we can easily deal with customer requirement.

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**7.6. Glossary:**

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**Ground operator or ground handler:** Company making all arrangements for incoming groups or travellers from overseas, from the moment they arrive in the UK (or other destination) to the moment they leave the country. This may include anything from accommodation booking to transfers and sightseeing. Some ground handlers prefer the term, "incoming tour operator"

**GIT (Groups Independent Travel):** Group travel in which individuals purchase a group package in which they will travel with others along a pre-set itinerary.

**Package:** A fixed price salable travel product that makes it easy for a traveller to buy and enjoy a destination or several destinations. Packages offer a mix of elements like transportation, accommodations, restaurants, entertainment, cultural activities, sightseeing and car rental.

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**7.7. Check Your Progress:**

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**1) What are the basic requirements for setting up the Travel Agency business?**

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**2) Describe the fiscal & non-fiscal incentives provided by the Government for Travel agencies?**

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**3) What are the different sources of earning of a travel agency?**

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**7.8 Clues to Answer:**

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- Refer Sec. 7.3
- Refer Sec. 7.3.4
- Refer Sec. 7.4.4.
- Refer Sec. 7.4.8

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**7.9 References:**

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- Roday, Sunetra.Biswal, Archana and Joshi, Vandana 2011, Tourism Operations and Management, Third Edition, Oxford University Press, New Delhi PP176-179.
- IGNOU 2003, School of Social Science TS -3 UNIT 23.Management in Tourism, New Delhi. PP. 36-38.
- IGNOU 200, School of Social Science MTM -13 Tourism Operation, New Delhi. P.86.

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**7.10. Terminal Questions:**

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- Briefly describe the basic requirements for setting up a Travel Agency?
- Briefly Explain the internal sources of income of a Travel Agency with a Suitable example?

**UNIT-8**  
**Procedure for Approval from the State Department,  
Central Government & IATA**

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**Structure**

**8.1 Objectives**

**8.2 Introduction**

**8.3 Procedure for approval Travel Agency**

**8.3.1 Travel Agency approval/recognition from the Department of Tourism**

**8.3.2 Travel Agency Approval from Central Government (Ministry of  
Tourism)**

**8.3.3 Travel Agency Approval from IATA (International Air Transport  
Association )**

**8.4 Summary**

**8.5 Glossary**

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8.6 Check your Progress

8.7 Clues to Answer

8.8 References

8.9 Terminal Question.

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**8.1 Objectives:**

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After reading Unit-8 you will be able to:

- Understand the approval procedure of a travel agency from the State Government.
- Explain the approval procedure of the travel agency from the Ministry of Tourism.
- Understand the travel agency approval procedure from the IATA organization

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**8.2 Introduction:**

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After reading Unit-8 the learner will understand the procedure of Approval for travel agencies from the state government, Central government & IATA. Here, a focus will be given on how to get approval from the department of tourism?

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Documents required at the time of approval? Further, learners will also understand the procedure to get approval from the ministry of tourism.

Documents are the essential tools to get approval for anything. Similarly, to get approval from any organization some documents are also required, therefore, here, a focus is also given on the necessary documents required for State Government, Central Government and IATA organization.

At the end of the Unit, we will study the benefits of approval from various organizations.

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### **8.3 Procedure of Approval of Travel Agency:**

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The procedure of setting up of Travel agency depends upon the different concerning authority approval- like Travel Agency approval/recognition from Department of Tourism, Travel Agency Approval from Central Government (Ministry of Tourism), Travel Agency Approval from IATA (International Air Transport Association).

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#### **8.3.1 Travel Agency Approval Procedure from the Department of Tourism:**

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As learner knows that the aim and objective of the reorganization are to promote tourism in India. It is a voluntary scheme open to all bonafide travel agencies and tour operators' enterprises. The travel companies which are granted reorganization or entitled to such incentives and constituencies as may be granted by govt. from time to time.

#### **Basic requirements for the travel agency:**

The following are the main rules prescribed by the DOT for the approval of travel agencies:

- 1) Application shall be in the prescribed form and shall be addressed to the director of tourism, ministry of tourism, govt. of India New Delhi.
  - 2) The company has functioned successfully for at least one year.
  - 3) Have minimum paid capital.
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- 4) Have an IATA license of GSA (general service agent) of IATA member airlines.
- 5) Has been approved by RBI to book foreign tourists.
- 6) Approved by the ministry of external affairs to handle documents, passports, visas and other items.
- 7) Income taxes assess.
- 8) Registered under the local; shops and establishments.
- 9) Good professional reputation, at least one or two staff members should be from IATA and Dot recognized tourism educational institutional.
- 10) Recognized by airlines.
- 11) Approved by railways.
- 12) Prescribed fees for reorganization.
- 13) A travel agency must attach the audited annual report.

**Following are the contents of the application form for approval from Department of Tourism:**

- 1) Name and address.....
  - 2) Year of establishment.....
  - 3) Nature of business and year of commencement.....
  - 4) Types of business form.....
  - 5) Name and address of directors/partner.....
  - 6) Staff employed.....
    - i) Qualification.....
    - ii) Salary/wages structure.....
    - iii) Experience.....
    - iv) Length of service.....
  - 7) Name of bankers.....
  - 8) Name of auditors.....
-

- 9) Auditor's financial statement.....
- 10) Copy of income Tax no.....
- 11) Auditor's financial statement.....
- 12) Letters of approval from IATA.....
- 13) Membership of professional travel trade organizations such as IATA/TAAI/IATO/WTO/ASTA/PATA /etc.....
- 14) Sales turnover during last five years.....
- 15) Steps taken to promote tourist traffic in the country.....
- 16) Any other steps/activities.....

**Date:**

MD/Director

**Place:**

Signature (with seal)

**Rules for Recognition of tour operator by DOT:****The main rules are:**

- 1) The application shall be prescribed form.
- 2) Minimum paid to be capital as prescribed by the organization.
- 3) Minimum turnover should be 5 lacks.
- 4) Good professional reputation and trained staff in various segments of the travel industry.
- 5) Operation minimum one year.
- 6) Income taxes assess.
- 7) Approved from IATO.
- 8) Maintained ethical standards of tourism business.
- 9) Approved for RBI, ministry of external affairs.



- 10) At least two or three staff members from IATO/DOT recognized tourism and training institute.
- 11) Sound financial position.
- 12) Recognized by the railway and airlines.
- 13) Should employ only approved guides.
- 14) Should have contributed towards the promotion and development of tourism.
- 15) Good location.

**Contents of Application form for tour operators:**

- 1) Name and address of tour company.....
- 2) Year of registration.....
- 3) Nature of business and year of commencement of business.....
- 4) Name and address of directors/partner.....
- 5) Staff employed.....
- 6) Qualification.....
- 7) Salary/wages structure.....
- 8) Name of bankers.....
- 9) Name of auditors.....
- 10) Auditor's financial statement.....
- 11) Copy of income tax return.....
- 12) Member of international and domestic tourism organizations.....
- 13) Turn over.....
- 14) The volume of tourist traffic handles.....
- 15) No. of conferences and convention handled.....
- 16) No. of package tours handled during the last year.....
- 17) No. of incentive tour handle.....
- 18) Steps were taken to promote tourism.....
- 19) Any other activities.....

**8.3.2 Ministry of Tourism procedure of approval for Travel Agencies:**

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The Ministry of Tourism, Government of India has a scheme whereby any travel agent can get recognition as an approved travel agency. The aim and objective of the scheme for recognizing a travel agency are to promote tourism in India. This is a voluntary scheme open to all bonafide travel agencies in the country. According to the Ministry of Tourism, a travel agency is one to arrange tickets for travel by air, rail and ship and for assisting with passports, visas, etc. It may also arrange accommodation, tours, entertainment and another tourism-related service.

**A Travel Agency must fulfil the following conditions:**

- The application for a grant of recognition is to be given in the prescribed form and submitted in duplicate. (See the format below )
  - a. The travel agency must have a minimum paid-up capital of Rs. 5 lacs, duly supported by the latest balance sheets/Chartered Accountant's Certificate.
  - b. The travel agency should be approved by International Air Transport Association (IATA) or should be the General Sales Agent (GSA) of an IATA member airline.
  - c. The travel agency should have been in operation for a minimum period of one year before the date of application.
  - d. The minimum office space where the travel agency has to establish a business be 250 sq. feet. Besides, the office must be located in neat and clean surroundings and equipped with a telephone. fax, Computer Reservation System (CRS), etc. The office must be located preferably on the ground floor the first floor is situated in a residential area with sufficient space for a reception and easy access to washroom facilities.

The travel agency should be under the charges of a full time. member professionally trained, experienced in a matter relating to ticketing, transport

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accommodation, facilities, currency, customs regulations and another tourism-related service, In addition , greater emphasis must be given to effective communication skill and knowledge of foreign languages, other than English.

- e. There should be a minimum of four qualified staff out of which at least two should have a diploma/degree in travel and tourism from a recognized university (IITTM) or institution approved by AICTE. The academic qualification may be relaxed in the case of exceptionally experienced personnel in airlines, shipping transport, PR agencies, hotels other corporate bodies and those who have worked for at least three years with IATA/UFTAA agencies.
- f. The Travel agency should be an income tax assesses and should have fielded their income tax return for the current assessment year.
- The travel agency should employ only regional guides trained and licensed by the Department of Tourism, Government of Tourism and state-level guides as well as local guides approved by the state government.
- For outsourcing any of the services related to tourists, the travel agency should used approved specialized agencies in the specific field of activity.
- Initially, the recognition as a travel agency is granted for a period of three years and renewed thereafter for five years on an application made by the travel agency, along with the prescribed fee.
- The travel agency will be required to pay a non-refundable one-time fee while applying for recognition. The fee is to be made payable to an accounts officer, Ministry of Tourism, in the form of a bank draft.
- Recognition is to be granted to the headquarter officer of the travel agency. branch offices will be approved along with the headquarter office. branch offices can also be approved subsequently provided the particulars of these are submitted to the Ministry of Tourism and accepted by it.

- The travel agency granted recognition shall be and entitled to such incentives and concessions as may be granted by the government from time to time and shall abide by the terms and conditions of recognition as prescribed from time to time.

The decision of the government of India in the matter of recognition is to be final. however, the government of India may at their discretion refuse to recognize any firm, or withdraw/withhold at any time recognition already granted, with the approval of the competent authority. however, before such a decision is taken, the necessary show-cause notice would be issued and the reply considered on merit. This will be done as a last resort and circumstances in which a withdrawal is resorted to would also be brought out.

**Application form for Travel Agencies to get recognition from the Ministry of Tourism:**

Prescribe Application form for recognition which is to be addressed to the additional Director General (Ministry of Tourism, Transport Bhawan, Parliament Street, New Delhi) is as follows:

1. Name of the Organization.....
2. Address of Head Office .....
3. Address of the Branch office (if any).....
4. Nature of the Organization.....Year of registration / commencement of business (with documentary proof).....
5. Name of the Director /Partner etc. ....
6. Details of their interest, If any .....
7. In other business may also be indicted .....
8. Particular of the Staff Employ
9. Name Qualification Experience Salary Length of service with the firm.
  - .....
  - .....

- .....
- 10. Details of office premises Space in sq. ft.....
- 11. Location Area of Commercial residential.....
- 12. Reception area .....accessibility to toilets.....
- 13. Name of Bankers (please attach a reference from your Bankers.....
- 14. Name of Auditors .....

A balance sheet and profit and loss statement pertaining to the travel business, as prescribed under Company Law, must be submitted by each applicant. These audited statements should be in respect of your establishment for the last completed financial year or the calendar year immediately preceding the date of submission of your application. Also furnish details of your turnover in the following statement:

Particulars of the Travel Agency concerned

- a) Paid-up Capital (Capital employed).....
- b) Loans:.....
  - i. Secured .....
  - ii. Unsecured.....
- c) Reserves .....
- d) Current Liabilities and provisions.....
- e) Total (a to d): .....
- f) Fixed assets (excluding intangible assets).....
- g) Investment.....
- h) Current assets .....
- i) Intangible Assets.....
- j) Total (f to I).....

**Notes:**

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- I. Intangible assets should include goodwill expenses, tenancy and business rights, deferred revenue expenditure. accumulated loss etc.
- II. Reserve should include balance of profit and loss Account and exclude taxation reserve.
- III. Current assets should include sundry debts, loans advance, cash and bank balance.
- IV. Current liabilities and provision would taxation reserve.
- V. Copy of acknowledgement in respect of income Tax return for the current assessment year should be enclosed. ....
- VI. Whether any activity is undertake by the firm besides travel Organizations if any.....
- VII. Letter of approval of IATA and Certificate of accreditation for the current year should be enclosed. GSAs? PSAs, of IATA airlines, should be enclosed (documentary proof in this regard ).
- VIII. Indicate the Air/Shipping? Railway ticketing agencies held by the firm.....  
Enclosed Demand Draft of Rs 3000/- for each Branch Office as the fee for recognition/renewal.  
Please mention the D.D No.....Date.....Amount.....  
Please mention the D.D No.....Date..... Amount.....

**Signature of Proprietor/Partner/Managing Director**

**Rubber Stamp**

**Place**

**Date :**

- 1. This application should be submitted in duplicate along with supporting documents.
- 2. Reference number of the Department of Tourism should be quoted if the application is for renewal of recognition.

**8.3.3 IATA Criteria to get Recognition for Travel Agencies:**

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The Travel agency needs to be recognized or approved by airlines. The sale and purchase of International airlines tickets are regulated by the International Air Transport Association (IATA) whereas the sale and purchase of domestic airline's tickets are approved/regulated by the concerned Government and the Ministry of Tourism or Civil Aviation. These approvals are necessary in all countries whether travel agencies are appointed by IATA and/or Govt. (Civil Aviation or any other agency authorized by these such as ARC in and US AND Canada etc. In these countries, the Airlines Reporting Corporation (ARC) in the US and Canada etc.

According to the industry agent's handbook, the main objective of ARC is to provide a method of approving/authorizing travel agency location for sale of airlines tickets and cost-effective procedures for processing records and funds of such sales to customers.

The applicant's ability to generate new business is another requirement to be taken into consideration by IATA before considering an applicant for approval. This is to ensure that agent is capable of generating new business in the market and has sufficient contacts to do so.

Any travel agency, to get IATA approval for selling the services of IATA airlines worldwide, has to ensure the following:

1. Financial standing.
2. Suitability of the premise.
3. Security for control of ticket stock.
4. Proficiency of the staff.
5. Ability to generate new business.
6. Goodwill.

**Passenger sales Agreement:**

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## **Travel Agency Management and Tour Operations** **MTTM-04**

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After considering the above aspects and if IATA's Agency Administration Board is satisfied, necessary IATA approval is accorded to an agency. Once approved, a Passenger Sales Agreement is issued and a numeric ticket validation code is provided which will be stamped on all tickets issued by that IATA approved agent.

IATA approval enables the agent to do business on behalf of all IATA members. It enables the agent to sell the services of all IATA member airlines throughout the world. The entire process of getting an IATA approval can be quite a time-consuming and lengthy and in the meantime agents applying for IATA approval are expected to generate business without getting any commissions.

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### **Benefits of getting IATA Recognition:**

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- Access to IATA airline members with a single Sales Agency Agreement which authorized 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.
- Use of the "IATA Accredited Agent" logo, providing visibility and credibility on the premises and their website.
- Unique identification throughout the global travel industry with the "IATA Numeric Code".
- Agent staff eligibility for the IATA/IATAN ID Card, giving access to special deals of over 1000 suppliers.

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### **Conditions needs to be followed by Travel Agency to issue Airline's Tickets:**

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The IATA's basic service to its active members involves ticket distribution, processing, settlement of financial & accounting matters, and appointment of the travel agency must be appointed/approved by the International Air Transport Association (IATA) and placed on airlines' Agency List' as an approved entity.



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## **Travel Agency Management and Tour Operations** **MTTM-04**

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As per the IATAN travel agency Handbook, the following rules and conditions are required to become IATA approved Travel Agency.

- An application for recognition shall be addressed to the Director, Agency Investigation Panel IATA.
- The application for grant of approval shall be in the prescribed form. The objective of recognition is to promote and develop the air transport and tourism industry at the global, regional and national levels.
- Travel Agency has to be in the business for the last two to three years.
- The travel must have professional staff members, qualified from IATA approved institutions.
- The agency must have financial credibility.
- The location of the agency must be freely accessibly and identified to the tourists.
- Security for the control of airlines tickets block/stock.
- Ability to generate business.
- The travel company granted approval shall be entitled to such rights and privileges as may be granted by the association from time to time and shall abide by the several terms and conditions of recognition as prescribed by the association from time to time.
- The agency must attach audited annual reports with the application form.
- The agency must attach the statement of International Sales with the application form.
- The decision of the IATA in the matter of recognition shall be final. The association may refuse to recognize any travel company without assigning any reason.
- The recognition granted by the IATA shall not automatically entitle the travel agency to be approved by any other organization.

**Application Form for IATA Approval:**

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1. Name of the Travel agent/Tour operator:.....
2. Form of business – Sole proprietor /partnership/corporation:.....
3. Nature of principle business:.....
4. Other type of business activities:.....
5. Address of the Registered Office:.....
6. Capital structure:.....
7. Date of Establishment: .....
8. Trade registration:.....
9. The date and type of Govt. Licence required: .....
10. The name of Regd. Office which is to appear on IATA register: .....
11. Address of Branch Office : .....
12. If approval is required for a Branch Office : .....
13. Date of Commencement of business:.....
14. Length of Business:.....
15. Name of Director/Managers IATA /UFTA:.....
16. Training Course, Extent of Participation, Other business Interest .....
17. Qualifications of Staff:.....
18. Audited Balance Sheet and Profit and Loss Account:.....
19. Name of Bankers:.....
20. Name of Auditors:.....
21. Approval from other Associations:.....
22. GSA of Any organization:.....
23. Profits of GSA/ IATA agency:.....
24. Are you acting GSA of an Airlines non - IATA Airline: .....
25. Approved form other Associations:.....

- 26. Statement of Sales (Previous years):.....
- 27. Sales in US dollars:.....
  - a. 1<sup>st</sup> Year:.....
  - b. 2<sup>nd</sup> Year: .....
- 28. Need for seeking Ticket stocks: .....
- 29. Adequate facilities for storing ticket:.....
- 30. Step to secure stocks:.....
- 31. Steps taken to promote airlines and tourism business:.....

**Date:** **Place**

**MD/Director**

**Signature (with Seal)**

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**8.4 Summary:**

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After Completing Unit8 we have understood about the Procedure of Approval for Travel agency what mandatory things for travel agency approval from the Department of Tourism. After going through Unit-8 learner’s must have understood how and why the approval of travel agency from Ministry of Tourism.

At the end of the unit learner’s have understood that how to get recognition of the Travel agency from IATA and things that require for approval for IATA. After IATA what are the benefits of the travel agency.

So we can say in the end, that overall leaner have read about what are the major approval for travel agency and what are the concerning authority for approval of travel agency. What are the benefits of approval.

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**8.5 Glossary:**

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- **General Sales Agent (GSA):** General Sales Agent are the agents who are appointed by an airline or railways of a country in that area where their own offices are not located. On behalf of every booking they get commission.
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- **Inbound tourism:** Tourists travelling from their own country to our country is known as inbound tourism.
- **Commission:** A fixed percentage as commission given by tourism product's suppliers to their agents.

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**8.6 Check Your Progress:**

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- **Throw a light on the procedure for travel agencies to get approval from IATA.**

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- **Throw a light on the procedure for travel agencies to get approval from Ministry of Tourism:**

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- **Throw a light on the benefits of getting approval from IATA:**

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**8.7 Clues to Answer:**

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- 1) Refer Sec. 8.3.3
- 2) Refer Sec. 8.3.1
- 3) Refer Sec. 8.3.2
- 4) Refer Sec. 6.3.4

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**8.8 References:**

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- Bhatia, A.k, Tourism Management and Marketing: The Business of Travel Agency Operation, First Edition, Sterling Publishers, New Delhi.
- Kamra. K.K and Chand Mohinder 2007, Basics of Tourism Theory Operation and Practice, First Edition, Kanishka Publishers, New Delhi, PP62-164.
- Roday, Sunetra.Biswal, Archana and Joshi, Vandana 2011, Tourism Operations and Management, Third Edition, Oxford University Press, New Delhi PP177.
- Bhatia, A.K 2008, Travel Agency Management Module -6, Kuoni Travel Indian Private Ltd (Kuoni Academy), Mumbai. PP144-148.
- <http://codis4u.wetpaint.com/page/Proceedure+for+the+Approval+of+Travel+Agency+and+Tour+Operator>)

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**8.9 Terminal Questions:**

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- What is the need for IATA Approval of an travel agency its the rules & approval or regulation for approval?
- Why should department approval from Ministry of Tourism justify?

**UNIT-9**  
**Tour Operation: Consideration, Challenges and  
Organization**

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**Structure:**

**9.0 Objectives**

**9.1 Introduction**

**9.2 Current Trends in the Management of Travel Organisations**

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9.2.1 Mergers and Acquisitions

9.2.2 Scarcity of Trained and Qualified Manpower

9.2.3 Constraints of Financing

9.2.4 New Search Engines: A Nightmare

9.3 Trends in Modes of Transport

9.3.1 Sophisticated Coach Travel

9.4 Consumer Market:

9.4.1 Demographic and Attitudinal Shifts in Travelers' Market

9.4.2 Increasing Baby Boomers Market

9.4.3 Travel by Low Cost and No Frill Airlines

9.4.4 Internet Airline Model

9.4.5 Self Managed Individual Tour

9.4.6 Greater Fragmentation of Holidays

9.4.7 Greater Role of Community

9.5 Contemporary Practices in Travel Agency and Tour Operation Sectors

9.6 Summary

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**9.0 Objectives:**

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After reading this unit, you will be able to:

- Explain the recent trends in the management of travel organizations
- Describe the consumer trends in the tourism market; and
- Discuss the current practices in the travel agency and tour operation sector.

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**9.1 Introduction:**

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In the previous units, you learned about the factors responsible for the growth of the travel sector. In this unit, we shall study the current trends in the management of travel organizations, trends in modes of transport, consumer market and contemporary practices in the travel agency and tour operation sector.

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**9.2 Current Trends in the Management of Travel Organizations:**

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Travel organizations as part of the overall economic scenario have been experiencing the dynamism of the economy in the lieu of the competition. However, tourism and travel trade have some typical issues which are unique to it.

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**9.2.1 Mergers and Acquisitions:**

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Travel business as any other sector is experiencing an age of merger, take over and acquisition. Reasons may vary from stiff competition, focus on specialized areas to inefficiency and many more. Examples may be drawn from SITA and SOTC being acquired by Kuoni travels, TCI has taken over by Thomas Cook, Orbit travels being separated to Orbitz and Orbit in travel companies. Thus the companies, which fail to adapt to the changed situations are either getting extinct from the market or has been taken over by other successful ventures. Customer orientation in the market is evident from the fact that all stakeholders whether vertically or horizontally located, work in cooperation with each other to ensure unhindered and quality service to the customer. This helps in giving a wholesome experience to a customer. The increasing fragmentation in the industry leads agents to aim for profitability by giving specialized, tailor-made packages to clients other than aiming at economies of scale. This however is not the case in big companies like Thomas Cook, Kuoni and Cox and Kings who have a larger presence in any country. Their marketing teams from various regions

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gather business and help the company in organizing group travel with economy price for standard service.

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**9.2.2 Scarcity of Trained and Qualified Manapower:**

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Travel industry particularly in the IT and ITES era faces a severe skilled human resource crunch. There is a continuing and growing need to increase the supply of personnel and to enhance their professionalism. Tourism professionals do not get equal pay packages, whereas employers in the industry feel that the industry faces a low rate of return on the capital. The World Travel and Tourism Council (WTTC) survey of 13 National Tourism Organisations indicated the skills level of workers to be the most serious issue over the next ten years. In reviewing the findings of the WTTC study, approximately 64 per cent of the employers surveyed felt that the current education and training programmes did not address the skill requirements of the positions, indicating that it was very important to make programmes more relevant to the actual workplace needs. In particular, employers felt that programmes have had difficulty in keeping abreast of changes introduced by new technologies. From the employees' point of view, the question of low salaries is intrinsically linked to that of long working hours. This affects the turnover and dissatisfaction levels in the entire travel and hospitality industry in India.

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**9.2.3 Constraints of Financing:**

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Traditionally all tourism businesses have been facing the sources of finance crunch. Unlike other sectors, tourism entrepreneurs have been complaining about the slow turnover. Particularly new entrants in the market may continue to face difficulty in financing their venture initially. Thus all sizes of start-up tourism businesses will continue to face difficulty despite low-interest rates. Moreover, earlier the bookings were done 6 to 9 months in advance giving sufficient flexibility to agencies in the period between receipt and actual payment

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to the suppliers. Now the advance payment period has reduced to mere two months before departure which handicaps the agencies in reaping the benefit of extra funds for that period. The result of all these is more reliance on equity investment and non-traditional sources of capital from external sources, including foreign investors.

The ranging role of government from a business runner to a catalyst may affect many governments run businesses and attractions. These high-quality public facilities and attractions that have traditionally been supported and/or subsidized by governments will come under serious funding pressures. However, there will be new opportunities for innovative financing for mega-projects and mega-developments that enjoy the support of the residents of a destination. Some of them are as follows:

- Alliances, mergers and acquisitions
- Companies adopting to market changes which ensures quality levels
- Cooperation amongst all stakeholders to restore tourist confidence
- Greater emphasis on profitability less on volume
- Increased economies of scale and reduce costs – concentration

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**9.2.4 New Search Engines: A Nightmare:**

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A search engine in the dotcom era is a popular phenomenon. The travel portal at the beginning has brought out the possibility of success of search engines in the travel sector. Recently some of the search engines like Kayak and Mobissimo have made their presence felt throughout the world. Started in the U.S., fledgling brands such as Kayak and Mobissimo have been growing leaps and bounds. These new type of travel search engines have opened their operations in India too. Their deployed technology may prove to be a disaster to the whole travel industry.

Both websites with sophisticated shopping capabilities have a wide range of alternatives to choose from. For example, Mobissimo claims to search 166 travel sites directly. Kayak has 120 online sites as of now. The services range from airlines ticket, hotel booking, car rental and other activities which returns results of list price, hotel rating, name and address, and provider's name. Mobissimo with a logo of "we search you travel" claims its mission is to, improve the way people seek and discover travel information. The purpose is to search out the best price for the consumer.

The technology is a scary move further move towards commoditizing travel market, where consumers have little regard for product features. Consumers believe that product as is homogeneous and it is the only price which matters which may not always be the case. This leads to a price war amongst travel providers to maintain market share and fill capacity. As prices are brought down, the weak entrepreneurs are bound to close or merge with their more efficient competitors. This will result in reducing choice and competition which certainly is not good for the travel industry and hence in long term for the consumers too. In future, if more of such companies join the race it will surely be a nightmare for the whole travel industry.

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**Check Your Progress - I**

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- 1. List out the name of top countries with their receipts from tourism.**

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**2. Write major issues that impede the success of travel organisations.**

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Check your answer with the one given at the end of the unit.

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**9.3 Trends in Modes of Transport:**

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Thus there has been a gradual increase in air travel. Travellers no more feel the air travel is unsafe. If we compare the market share of various modes of transport we can see the share of air transport has increased from 26% in the 1990s to 30.8% in the year 2000. At the same time, all other modes of transport (road transport 61.1 to 57.0, Rail transport 7.0 to 6.0 and Water transport 5.9 to 6.2) have lost their shares to the Air transport.

**Table - 1.3**  
**Shares of different modes of transport**

<b>Modes</b>	<b>Share of the total volume</b>	
	<b>1990</b>	<b>2000</b>
<b>Air</b>	26	30.8
<b>Road</b>	61.1	57.0
<b>Rail</b>	7.0	6.0
<b>Water</b>	5.9	6.2

According to UN WTO statistics, just about half of all international tourists arrived overland by road (45%) or by rail (4%) to their destination in 2004. Air transport represented 43% of arrivals and transport over water accounted for 7%.

Road transport hence remains as the most popular mode of transport. After three sluggish years, air transport rose by 15% in 2004, while transport over water increased by 9% and transport over land by 7%. Thus growth in air transport is highest over other modes of transport which can be reasoned to the advent of low-cost carriers and competition due to the open sky policy.

In India too there has been a steady growth in air traveller as is evident from the table below. Except for the year 2001-02, all other years have shown steady growth in air travel. The reason for downfall in 2001-02 can be due to major accidents like the Trade centre attack, Parliament attack in New Delhi and widespread SARS in Asian countries. The average growth baring 2001-02 is around ten per cent which is even more than the growth rate of GDP.

**Table - 1.4**  
**Number of passengers travelled by Air**

<b>Year</b>	<b>International (in million)</b>	<b>Domestic</b>	<b>Total</b>	<b>Growth rate % age</b>
<b>1999-00</b>	3.7	12.7	16.4	-
<b>2000-01</b>	3.8	13.7	17.5	6.7
<b>2001-02</b>	3.7	12.9	16.6	-3.15
<b>2002-03</b>	4.2	14.0	18.2	9.6
<b>2003-04</b>	4.5	15.7	20.2	11
<b>2004-05</b>	5.3	19.4	24.7	12

**Source:** Directorate General of Civil Aviation, Government of India

**9.3.1 Sophisticated Coach Travel:**

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The advent of luxury Volvo coaches has brought in a major change in the travel industry. Despite a marginal decrease in the share of road transportation in the total volume of traffic, coach travel has been a favourite mode of transportation amongst travellers. The advantage of coach travel in terms of mobility, availability and luxury attracts passengers especially for sightseeing, short distance travel and pick up and drop.

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**Check Your Progress-II**

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Answer the following question.

1. Calculate the rate of growth in domestic and international air passengers from the year 1999 to 2005.

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Check your answer with the one given at the end of the unit.

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**9.4 Consumer Market:**

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The recent development in the tourism industry can be characterised as a shift of market power from producer to consumer (From sellers' to buyers' market). This increased dominance of consumers is visible from the heavy downfall in prices in the airlines, tour packages and other tourism-related services. Other features of the market are as follows.

**9.4.1 Demographic and Attitudinal Shift in Traveller's Market**

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'Consumer needs' worldwide is constantly changing. Fast-changing social structure, lifestyle, tastes and fashion lead to generating a multitude of new demands in the market for quality and style of product, vacation experiences that live up to their pitch. Professional and businessmen especially have the ability and interest to travel with less time at their disposal. This "Getaway" Market as a result of a time pressure is increasingly seeking relief when it is possible. Thus, more frequent, shorter vacations are the trend of the day. An increase in short duration trips, with the combination of business and pleasure, is evident. Till recently the pattern of shorter distance travel has been long-distance travel on short breaks. Whether cross-border or within boundary, these can be termed as "cross-over" trips.

Since tourists are well informed and have a wide range of alternatives, the price and quality are expected to match their expectations. Travellers wait a long time before purchasing to find the lowest price. Moreover, the group booking tendency of corporate clients to book before 6 to 9 months in advance have undergone a radical change to mere two months before departure now. This causes cash problems to a travel agent. The growing consumer expectations clubbed with market knowledge infuse severe competition amongst the suppliers. Particularly in the case of airline booking consumers be very sensitive to any discounts and reductions in fares. To this, some airlines like British Airways have accepted the trend to directly access the customer overriding middlemen to cut additional costs. Modern technology and efficient safety and security measures also have increased the fear of flying amongst the travellers. In addition to air transport for long haul travel tourists are more interested in coach travel due to the invention of luxury Volvo coaches. In many cases, tourists are found experienced, mature and informed than the information assistant on

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the table. However the frequent accidents, terrorist attacks and calamities have increased the concern for safety and security amongst the tourists. Thus a growing area of tourism development in many destinations may be organized travel that protects tourists from crime, health and security threats. An increased emphasis on "human relationships" may encourage new forms of tourism in which contact between hosts and guests is less superficial. People are becoming as important as places, and the collecting of interactive, novel experiences versus site visits or things is growing in interest. The psychology, hereditary affinity and safety concerns results in tourists opting for VFR. Travellers many a time are seeking out unique and diverse experiences that are authentic to the place they are visiting. An increased emphasis on special interest tourism - such as cultural, educational and professional development travel is evident which may greatly strengthen and enrich the meaning of the travel experience. These highly motivated youth seek thrilling adventure trips where the degree of physical involvement is high to a greater extent. The present age travellers normally follow the following travel pattern:

- Wait and see attitude
- Last-minute booking – Cash flow problems to the Travel agency.
- Sensitivity to price/ Discount at airlines.
- Fear of flying is nil
- Preference to coach travel
- Increased competition/ motivation
- The more mature and experienced traveller
- Increased concern for safety and security
- Travel with the high motivation factor
- Visiting VFR
- Short-haul stay in one place



- Travel as experience

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**9.4.2 Increasing Baby Boomers Market:**

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Baby boomers are the elderly generation in the USA, Japan and UK who are in the 55-75 age group. In the next 20 years, these residents of developed nations between the 55-75 age group will increase exponentially. This is a prospective market for the Travel and tourism industry with substantial discretionary income, desire to travel and disposable time. These baby boomers in North America, Japan and UK form a lucrative market with a new set of vacation needs and experiences and pricing structures which shows healthier signs with increased disposable income as a retiring batch. This highly educated, well-travelled baby boomers market will also contribute to the general awareness about a vacation in the market which further may increase the overall demand in the market.

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**9.4.3 Travel by Low Cost and No Frill Airlines:**

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In India, low-cost carrier age started in the year 2003 when Air Deccan introduced its operation. Since then the number of airlines in India have increased from three in 2002 to eleven in 2007. Till then there has been continuous growth of air travellers and reduction of fares in India. Gradually low-cost carriers are on roll to acquire a market share of full-service carriers. Even full-scale airlines also have started either floating low-cost subsidiaries or keeping some seats vacant in their flights for low frill operation.

Low-cost carriers as is revealed by the above graph have high fuel expenses in the overall cost structure. Since fuel cost is almost the same for all in the aviation industry, it is understood that LCCs are very efficient in other operational expenses as administration, Passenger amenities and salaries and wages.

Despite a short history of operation, low-cost carriers have acquired a significant 23% share of the market very quickly. The rate of growth in the case of these low-

cost carriers is so high that by 2010 the market share of these airlines may rise to half in terms of numbers of passengers fly. The full-service airlines also have joined the race by introducing low-cost subsidiaries like Jetlite, Indian etc.

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**9.4.4 Internet Airline Model:**

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In recent periods some airlines are trying hard to cut costs by overriding middlemen. Especially low-cost carriers want to cut all middlemen such as travel agents, GDSs and online travel portals from the distribution channel. The savings in distribution costs are believed to be the way to compete in the market. Interestingly these Internet airlines are achieving impressively high load factors and online booking penetration. In December 2001, EasyJet, a UK based low-cost carrier achieved an 82.8% load factor with 89.1% of passengers booking online, while Ryanair achieved a 78% load factor and 91% online bookings.

The low-cost carriers normally dominate the short-haul market by adopting the internet airline model. The key elements of this model are Optimum utilisation of aircraft with fast turnarounds; lowering distribution costs by direct selling; minimizing operational costs by using secondary airports, cutting out catering and other frills; adopting simple fare structures. All these principles are possible in the case of short-haul routes. In Europe, this model has been very popular with the low-cost airlines offering hop on/hop off bus-like connections. Thus big carriers may find it difficult to compete in the marketplace, because of low aircraft utilisation and high-cost operations. Thus big airlines may be forced to withdraw substantially from short-haul routes.

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**9.4.5 Self-Management Individual Tour:**

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There have been fewer large group travels. Smaller groups and fully independent travel have been in demand. This market is difficult to identify, develop products to support, and market to. There are an increase in specialized or niche markets that want specific products and experiences. Thus the priority of vacationers for

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large resorts and hotel properties is shifting to more intimate facilities and services such as Paying guest houses, lodges, country inns, bed and breakfasts, and small all-suites hotels. Tour products are becoming more flexible, less structured and customizable. Hence more efficient and trained management and staff are required to meet the instant demand of prospective customers.

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**9.4.6 Greater Fragmentation of Holidays:**

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The demand for vacations that provide a sense of regeneration and knowledge will further increase in the market in years to come. Opportunities to experience the outdoors and nature with modern and comfortable facilities will continue to be popular amongst vacation seekers.

Rising health consciousness amongst city dwellers acts as a push factor for tourism products like spa and yoga centres. Especially these centres in natural settings like Kerala will continue pulling tourists to these places. Concerns about the effects of stress and ageing have fueled the spa industry.

A growing number of youth from modern metros and cities will demand fulfilling vacations which are exhilarating, be it an adventure, challenge, further education, cross-cultural awareness, or peace of mind.

Local foods and delicacies are very often a sought after component of a travel experience.

Event-based tourism is an important element of the tourist market and is growing faster with more business meets, trade shows, festivals, large concerts, sports competitions, social and cultural events and other events that attract large influxes of people.

Aboriginal tourism: With large migration around the world citizens are interested to learn about indigenous people of the destination to which they are travelling. This finding the route however does not mean they seek only ceremony or superficial contact with people. Some may want to experience their

ancestors' lifestyle. Most will want to experience the cultural and historic sites and places of the destination. They may further show interest in meeting and interacting with the people in real setting and buying some art and craft.

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**9.4.7 Greater Role of Community:**

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There is a widespread feeling that there are finite limitations to tourism development. There is a scarce of resources in terms of both physical and social carrying capacity of destinations. Sensitivity towards the scale and design of developments to limit their impact on the environment will be the recommended approach. National park systems in developed nations are adopting ghetto tourism (discouraging mass tourism) where as in developing and underdeveloped Nations, locals demanding their stake in the developmental process. National parks in India are seriously into community participation which forces travel agencies and tour operators to involve locals in the tour planning to these natural areas.

All tourism planning and development processes irrespective of nature and ambience will be increasingly mindful of the need for meaningful public involvement and input. Concern for and consultation with people who are immediately affected by new facilities and visitor inflows have been a guideline for any sort of policy formulation. Residents' responsive tourism will be the order of tomorrow. Community demands for active participation in development and management will be reflected in setting up a new travel agencies and tour operators.

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**Check Your Progress-III:**

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Answer the following questions.

1. **Compare the cost structure of a full-service airline with that of a low-cost airline.**



handwritten tickets to their customers. Subsequently, after the invention of the teletype machine connected through telephone lines enabled an agent to issue directly printed tickets in its own office. However, booking was done by telephone. The information transmitted from the airlines office was received at the agents' desk and the ticket could be printed by the teletype machine. The first airline's reservation system was developed in the 1970s. But those attempts were purely experimental until 1976 when American Airlines, United Airlines and Trans World Airlines developed a CRS each containing flight information and fares of member airlines. Travel agents could obtain information from CRS via a data terminal consists of a keyboard and a screen. The data terminal was connected with the CRS through the telephone line. TWA named its CRS as PARS an abbreviation for Passenger Airlines Reservation System. American Airlines named it SABRE an acronym for Semi-Automated Business Research Environment. United Airlines System named it Apollo. The suit was followed by other airlines like Eastern Airlines developed "System One" in the year 1982 and Delta Airlines developed DATAS in 1984 both having the capacity to connect to other CRS. In 1988 DATAS and PARS merged to form World Span System. Till now Travel agencies use GDS for all types of travel solutions like booking air tickets, rail tickets, cruise lines and reserving hotel rooms and making payments through BSP.

However, GDS companies are facing competition due to the advent of travel portals and travel search engines.

**The organisation of Conference/Convention:**

MICE business has become a profitable option for travel agencies which is of late tapped by the travel agencies. Some companies have a specialised branches to deal in MICE businesses. Target customers for this operation are commercial organizations who intend to hold training programmes, conduct seminars, symposiums, trade shows and conventions. Typical conference-related services or packages include:

- Allotment of space (sale of space) at the conference centre
- Travel to/from the venue
- Accommodation at the venue
- Registration fees and facilities
- Facilities for a conference like audio-visual types of equipment
- Secretarial services
- Sightseeing
- Arrangement of the cultural show and other entertainment activities
- Shopping

**Travel Insurance:**

A major change travel agency function is the inclusion of travel insurance in the service list. All most all large travel agencies have started offering insurance schemes jointly with some insurance majors. Travel Insurance protects the traveller against personal, baggage losses and other travel insurance for any loss due to flight delay, major health problems, trip cancellation etc. Bajaj Alliance,

American express, Max New York, TATA AIG, Thomas Cook, New India Assurance etc are major players in the travel insurance sector.

**Travel Agency Approval:**

Travel agencies these days require multiple recognitions to start and operate the business. Recognition of the Department of Tourism in India is a basic requirement that is mandatory for agents to deal with tourists. This recognition helps the agents in getting other approvals to start and run a business in addition to financial and non-financial incentives provided by the government from time to time. The Ministry of External Affairs and Reserve Bank of India authorizes an agent to deal in foreign currency and travel documents of international tourists. As business entities, travel agencies need to be registered and work under the Companies Act 1956 or Partnership Act 1932 etc as the case may be. To open an office in a municipality or town, permission from the Corporation or Municipality authority has to be taken. The recognition of IATA authorizes an agent to issue air tickets for international airlines. This helps in making payment through Billing and Settlement Plan (BSP) through the Global Distribution System (GDS) network. Further IATA authorization is required to subscribe to any GDS vendors. Approval of Indian Airlines in India is required for the issue of IA tickets. In addition, voluntary marketing negotiations with individual airlines help Agencies and Operators in operating business successfully. Membership of the Hotel and Restaurant Association of India and other State Associations promotes the business of the Operator. However, over the years, travel agency functions have been diversified. Agencies are diverting from air ticketing to package tour operation and marketing. Thus recognition and approval from individual airlines are not much sought after.

**Computer Reservation System:**



CRS became very popular in the early 1980s works through interconnectivity of data terminals of agents otherwise called as agents' set with the main supercomputer owned by the promoters of CRS otherwise called CRS vendors or GDS (Global Distribution System) companies. The supercomputer is capable of serving many sites with multi-functions like retrieving flight availability, fares and passenger record simultaneously. Agents' set is connected via a modem to the Central Processing Unit (CPU) of the supercomputer. The modem (an acronym for modulator/ demodulator) transfers computer data into signals for transmission via a telephone line. A printer that is connected by the modem prints the ticket being confirmed by the vendor's supercomputer. When a travel agency books any ticket it feeds the information to his computer which in turn transmits data and it gets stored in the CPU of the supercomputer. The agent is authorized only to retrieve its reservations and other general information. For special information, it needs to seek permission from the CRS vendor. Thus CRS is used for fare display, flight availability, flight booking, storage of passenger's records, advance seat assignments, storage of client profiles, queue functions, ticket and document printing, auxiliary segments and access general information.

**E-tourism - Travel Portal:**

E-tourism is about using internet technology in tourism systems and activities like promotion, resort management, online shopping, reservation, destination information services. A travel portal is a gateway on the internet that provides access to specialized and focused information and links. It is customized and acts as a channel between the provider and the audience. These virtual travel agencies and principals create a brand value in the minds of the consumer by designing appealing Web sites, emphasising better service and providing additional product information. The key to success for online travel agencies is to build

customer loyalty and reduce dependence on price competition by effectively addressing pressing issues like security and quality. However, the ease of entry to the markets has made it much simpler for new entrants to get into the market and gain market share quickly thus increasing competition day by day. World's leading travel portals are expedia.com, lastminute.com, thomascook.com, firstchoice.com MyTravel.Uk etc. In India MakeMytrip.com, Travelocity.com, TravelGuru.com, Traveljini.com, indianholidays.com, indiainfo.com, yatra.com, ezeego1.co.in etc. With more and more people becoming techno-savvy travel portals are becoming a popular medium of booking. In the year 2006 online booking size has reached the US \$523 million marks from the US \$ 368 million in the previous year. Online booking is fast becoming a significant portion of the Traditional travel agency system which is reflected in travel majors like Cox & Kings promoting ezeego1.com, Air Deccan tying up with Travelguru.com, Thomas cook opening its travel portal by the same name. Most tour operator reservation system suppliers are also offering Web integration so that bookings made on the Web are stored directly in the same system where all other bookings are received. Thus these large vertically integrated travel companies are now taking multi-channel integration very seriously.

**Emerging Travel Marketing concept from Selling:**

The agencies in the early 90s were mostly dependent upon the sale of air tickets, hotel rooms and renting cars. Subsequently, the airlines started cutting commissions and some airlines even stopped giving commissions due to high competition in the market on one hand and rising fuel prices on the other. The advent of the internet further helped airlines to directly reach the customers by overriding the middlemen. In the third stage of evolution Travel portals further helped customers to reach their suppliers. All these made traditional suppliers

shift their traditional style of functioning from the sale of tickets and hotel rooms to customized package tours.

**Customer Relationship Management:**

Travel agencies are increasingly investing in Customer Relationship Management (CRM) these days to build brand loyalty. There has been a trend of adopting sophisticated CRM technology can have one-to-one relationships with the customers. Moreover, CRM is being regarded as a philosophy or a culture in the industry. A sense of personal care for customers is created by assuring them as they are not mere numbers in the company's computer system, rather they can relax and trust that their travel arrangements will go smoothly. Thus an agent is expected to know the travel preferences of his customer, answer all questions raised by the customer, record all past transactions, suggest ideas to make one's trip more enjoyable, take the feedback after the trip gets over, keep the customer abreast of all happenings in the industry etc. Thus there has been an increasing trend of acquiring CRM technologies in travel agencies.

**The Death of the Brochure:**

After the evolution of the internet and tour operators are increasingly spending on web content development rather than spending on the publication of brochures. This is because brochure costs are a massive financial burden on operators. However, customers may feel dissatisfied at this moment with being offered so much unnecessary information in the web content. Moreover, people inherently like to browse paper-based information rather than the computer screen. But once consumers get used to searching for travel on the Internet operators will divert funds from brochure production to content development.

**M-Commerce:**

M-commerce (a short form of mobile commerce) in travel products is going to be a big part of the travel business. The benefit of it being handy mobile can become

a great source of information to tourists. M-commerce probably won't take off for leisure travel now since customers take time to think about their big investment and big screen will their preferred mode. With all this online time, booking the theatre or arranging an excursion to the local fiesta, booking a restaurant etc will remain the businesses through mobile.

**Destination and Market Research:**

Tour package before formulation and design need a thorough research based on analysis and assessment of the destination and market. With changing travel agency functions from the sale of air tickets to ground handling and package tour operation, companies are increasingly emphasizing research and development. The idea of tour executives thus is of greater importance in developing new products as he has a piece of better knowledge about the developments in destination and client psychology. Market research provides information about the size of the tourism market, the profile of the potential buyers and clients, details about the competitors in the market, customer expectations of quality and price etc. Once the operator is aware of various components of the package tour, distribution channel and market conditions and constraints it can carve out strategies for successful operation.

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**Check Your Progress-IV**

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Answer the following questions.

- 1. Discuss the concept of CRS.**

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**2. What do you mean by travel portal?**

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Check your answer with the one given at the end of the unit.

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**9.7 Summary:**

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Travel agency and tour operation in recent ages have undergone a sea change in all the spheres. The business has transformed from manual operation to Global Distribution System and onwards to websites and the internet. Industry, in general, is sensible to technological, socio-economic and political factors. The competition in the industry often results in healthy companies taking over the management and ownership of less competitive and loss-making units. In the Management of agencies, scarcity of a trained and less skilled human resources in addition to constraints of financing is an issue in better performance. Travel portals and travel search engines seem to affect the long term benefit of the industry. However, there has been significant growth in air travel due to online booking and competitive prices offered by low-cost airlines. All the developments in the market in the recent period have favourably benefited customers. Hence the market can better be characterized as a consumer-driven market. There has been a significant shift in consumer expectations, preferences

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and thus behaviour. Consumers are more informed and have a wide range of alternatives which makes marketing more competitive and challenging. Travel agents and tour operators to be successful in the market are very receptive to the technological and other changes in the market. The traditional dependence on airlines ticket has been changed to marketing and development of tour package. Intermediaries play a vital role in the research and development of innovative products and services and invest substantially in these areas.

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**9.8 Answers to Check Your Progress:**

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**Check Your Progress-I:**

1. Your answer must reflect all the top five countries with their receipt from tourism. (See Table - 1.1)
2. In your answer you should talk about constraints in terms of competition from technology-driven search engines, lack of trained manpower and lack of suitable source of finance.

**Check Your Progress-II:**

1. You should calculate the percentage of growth every year from the year 1999 to 2005. Results need to be reflected separately for domestic and international air passengers. (See table - 1.4)

**Check Your Progress-III:**

1. Your answer should make a comparative study of a full-service airline with a low-cost airline. (See chart - 1.2)
2. Your answer should mention the concept of the internet model of airlines. (See subsection 4.4.4)

**Check Your Progress-IV:**

1. Your answer must include the concept of the computer reservation system. (See subsection 4.5.6)

2. In your answer, you should include all functions of a travel portal. (See subsection 4.5.7)

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**9.9 Suggested Readings:**

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1. Directorate General of Civil Aviation, Government of India [www.dgca.nic.in](http://www.dgca.nic.in)
2. Department of Tourism, Government of India, [www.incredibleindia.org](http://www.incredibleindia.org)
3. World Travel and Tourism Council (1994) Gearing up for Growth: A study of Education and Training for a career in Asia Pacific Travel and Tourism, Brussels, Belgium.
4. World Travel and Tourism Council (1999), Millennium Vision Strategic Economic & Employment Priority, London.
5. <http://www.genesys.net/article051014.htm>

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**9.10 Review Questions:**

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1. Define the various current trends in the management of travel organizations.
2. Write a short note on 'Computer Reservation System.'
3. Explain the functions of a travel agency?
4. What is meant by 'M-Commerce'?

**UNIT-10**

**Organizational Structure and Functions of a Tour Operator**

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**Structure:**

**10.0 Objectives**

**10.1 Introduction**

**10.2 Travel Agency and Tour Operation: History**

**10.3 Definition of Travel Agency and Tour Operator Business**

**10.4 Case Studies**

**10.4.1 Travel Corporation (India) Pvt. Ltd. (TCI)**

**10.4.2 Students International Travel Association (SITA)**

**10.4.3 Cox and Kings India Ltd.**

**10.5 Indo Asia Tours**

**10.6 The Company at a Glance**

**10.7 Thomas Cook India Ltd.**

**10.8 Le Passage to India**

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**10.8.1 Profile****10.8.2 LPTI Products and Services****10.9 Summary**

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**10.0 Objectives:**

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After reading this unit, you will be able to:

- Describe the different functions performed by tour operators.
- Explain the organizational structure of tour operator company
- Differentiate between travel agency and tour operator

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**10.1 Introduction:**

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Travel has existed since the beginning of time when the primitive man set out, often traversing great distances, in search of food and clothing necessary for his survival. Throughout the course of history, people have travelled for purposes of trade, religious conviction, economic gain, war, migration and other equally compelling motivations. In the Roman era, wealthy aristocrats and high government officials also travelled for pleasure. Seaside resorts located at Pompeii and Herculaneum afforded citizens the opportunity to escape to their vacation villas to avoid the summer heat of Rome. Travel, except during the dark ages, has continued to grow, and throughout recorded history, has played a vital

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role in the development of civilizations. This unit deals with the history of Indian travel agents and tour operations, we will discuss the case studies of TCI, SITA, Cox and Kings India Ltd., and Orbit – Travel and Trade Fairs. We shall also discuss the division of Orbit such as business tours, study tours, freedom tours, travel support etc.

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**10.2 Travel Agency and Tour Operation: History**

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Tourism today has grown significantly with both economic and social importance. The fastest-growing economic sector of most industrialized countries over the past several years has been in the area of services. One of the largest segments of the service industry, although largely unrecognized as an entity in some of these countries, is travel and tourism. According to the World Travel and Tourism Council (1992), 'Travel and Tourism is the largest industry in the world on virtually any economic measures including; gross output, value-added, capital investment, employment and tax contribution.

Travel trade in India is relatively new. At the time of independence, there was hardly any travel company in India worth the name in the present context. The travel business in India in an organized manner started with the setting of the TAAI, Travel Agents Association of India in Mumbai. The Travel Agents Association of India (TAAI) was formed towards the end of the year 1951 by a group of twelve leading Travel agents, who felt that the time had come to create an Association to regulate the travel industry in India. The primary purpose was to protect the interests of those engaged in the industry, to promote its orderly growth and development and to safeguard the rights of the travelling public. TAAI represents all that is professional, ethical and dynamic in our nation's Travel related activity and has been recognized as the voice of the Travel and Tourism industry in India.

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With a membership database of over 1800 Active; Allied and Associate members comprising of IATA accredited Travel Agencies; Airlines & General Sales Agencies; Hotels and Tour operators; TAAI is the largest Travel Association of India. Before it, there were two major companies Thomas Cook and Sons and The American Express with their main branches and Indian companies, Jeena and Co., Lee and Muirhead India Pvt. Ltd., and N. Jamnadas and Co. Ltd., operating in India.

However, the bulk of international tourists were handled by Thomas Cook and sons and the American Express. In 1920, Jeena and Company, the first Indian travel agency organized group tours abroad and in India for Indian travellers and it handled the first group of foreign tourists in 1950. However, Jeena and Company and other two Indian travel agencies were merged into one composite travel company known as Travel Corporation of India Ltd, popularly known as TCI in 1961. After this, there were several travel companies established in Indian such as SITA (1963) Thomas Cook India Ltd, American express, Cox and Kings, Ind. Travel and so forth.

Presently there are more than 500 travel companies on the approved list of the Department of Tourism, Government of India which are located in 50 cities of the country and many have promotional offices abroad too. In addition to this, there are a large number of non recognized travel agencies or registered with respective states, scattered in the country. In India, there are more than 400 travel companies approved by the IATA, International Air Transportation Association and a number of them have more than one office or branch.

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### **10.3 Definition of Travel Agency and Tour Operator Business:**

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Generally, we call a travel agency a retailer that sells tourist products directly to the public on behalf of the product supplier and in return gets the commission. According to the Airlines Reporting Corporation (ARC) a retail travel agency is

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defined as “ a business that performs the following functions- quotes fares, rates, make reservations, arrange travel tickets and accommodation, arrange travel insurance, foreign currency, documents and accepts payments.” The main source of revenue for the retail travel agency is the commission received from the vendors. However, the rate of commission differs from organization to organization and travel component to travel component. In India, the travel agency receives ninety percent of its revenue from the commission and ten percent from consultancy services.

A Tour operator is an organization, firm or company that buys individual travel components, separately from their suppliers and combines them into a package tour, which is sold with their price tag to the public directly or through the middlemen is called a tour operator. More precise tour operators are primarily responsible for delivering and performing the services specified in a given package tour. They can provide these services themselves as some have their infrastructures like car/ coaches and hotels etc. or can obtain these from other suppliers. That’s why they are called manufacturers of tourism products.

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**10.4 Case Studies:**

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**10.4.1 Travel Corporation (India) Pvt. Ltd. (TCI):**

TCI is India’s premier travel and tour organization, established in 1961. It has 25 offices in India and a total of 11 offices in the USA, Canada, UK, Europe, China, Korea, Japan and Australia. TCI is a member of AFTA, ASTA, IATA, IATO, ICCA, JATA, PATA, TAAI, UFTAA and USTOA.

TCI's core activities are Inbound Tourism, Business Travel and Leisure Travel. Over 1000 professionals at TCI offer expert guidance and take care of your every requirement, giving you optimum value for money. TCI is a leader in the inbound tourism field and works closely with tour operators worldwide. Besides

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tours to popular destinations in India and neighbouring countries, TCI specializes in special interest and incentive tours, conferences and air charter/cruise ship ground operations. It operates its own Taj Tour and Delhi City Tour and is a G.S.A. for the Palace on Wheels and the Deccan Odyssey. TCI is one of India's largest outbound operators and is the G.S.A. in India for Globus & Cosmos Tours, Rail Europe, Greyhound, Amtrak, Rocky Mountaineer Vacations, Japan Rail and Disneyland Paris. TCI organizes customized vacations and packages tours to worldwide destinations.

TCI's Corporate Travel Management Services include implant operations, travel insurance, foreign exchange, conferences and incentive tours for multinationals and leading companies in India. In keeping with worldwide trends, TCI Travel Net offers 24 X 7 travel services through toll-free numbers and online bookings on [www.tcindia.com](http://www.tcindia.com). TCI has won the National Tourism Award for "Excellence in the Tourism Industry" in Category I every year since 1976, besides annual awards and recognitions.

TCI has a widely distributed network of over 2000 travel agents and tour operators worldwide and services over 2,50,000 travellers annually. TCI's strong resources deliver the best in the industry. TCI sells various products in India including all paces like North, South, East and West. The company sells tours in mountains, beaches, deserts, wildlife areas and organizes tours out of India too. In 2007 TCI merged with Thomas Cook.

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### **10.4.2 Students International Travel Association (SITA):**

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A Division of Kuoni Travel (India) Ltd. - SITA Inbound is India's Number One Destination Management Company, operating Inbound Tours from all over the World, with Tour Operations and Marketing activities centralized at the Head Office in New Delhi. The company's strength is service, backed by experience, reputation and network of 11 branch offices in India and 6 overseas offices with

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associate offices in Nepal & Sri Lanka. With marketing offices in London, Paris, Frankfurt, Milan, Barcelona, Lisbon and Stockholm, SITA is fully equipped to handle every guest query globally.

Since its existence, SITA is handling incoming tourists to India from all over the world. SITA INBOUND organizes attractive and carefully planned tours of the Indian subcontinent for groups and individuals. Its key markets are Europe, UK and North America where it enjoys distinct leadership. It has ambitious growth plans and is actively targeting new markets like South America, East Africa & Austral-Asia. The operations and marketing activities of SITA are centralized in New Delhi and its networking with its offices is technology-driven, with over 300 committed professionals offering personalized services. SITA has preferred rates with all the suppliers, which ensures that partnership with all overseas Tour Operators with SITA is mutually beneficial. A stringent Quality Control department monitors feedback from across the country and endeavours to constantly improve the calibre of service, endeavouring to provide a matchless travel experience to every guest.

**History:**

Its history goes back to 1933 when in New York a bicycle tour arranged by John C Dengler set the pace for a small company called Students International Travel Association. The company soon became popularly known by its acronym – SITA – and launched itself into the orbit of world travel. After achieving unprecedented success in the U.S.A., SITA looked beyond the Atlantic to Europe and Asia – India. In 1956 the first office was set up in New Delhi and from then onwards SITA has travelled a long and arduous journey in the sphere of travel and tourism to be recognized worldwide as a reliable and efficient agency with integrity and offering quality service.

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Starting with a staff of just three people, today the company is proud to have increased its fold to encompass over 250 professionals. Foreseeing a policy of Indianisation, in 1963, SITA was converted into a private limited company under the guidelines of the Companies Act 1956 and came to be known as SITA World Travel (India) Pvt. Ltd. With the rapid growth of the Incoming Tours business, SITA soon set its sights on foreign land, starting in 1972 with its first office in Paris. Thereafter the extension continued to Milan, Frankfurt, London, New York, Stockholm, Barcelona and Lisbon. At the same time, SITA extended its sphere of activity to the neighbouring SAARC countries with a presence in Sri Lanka (1982) and Nepal (1984). Further, in 1993, it became a fully owned Indian public limited company and came to be known as SITA World Travel (India) Ltd. Between 1970 and 1994, the company achieved a spectacular growth rate of 3062%. The foreign exchange earnings showed a monumental increase of 6041%. This remarkable progress was the result of adhering to well-defined business principles and goals over the years as well as providing services backed by experience, network and reputation. The company's excellent rapport with the Government, International & Domestic Airlines and Hotels chains was a valuable asset.

SITA Indian Trails is a business unit of Kuoni Travel India (P) Ltd. and specializes in Incoming Services for foreign tourists travelling to India, Nepal, Sri Lanka & Bhutan. It handles tailor-made individual tours, group series, ad-hoc special groups as well as incentives. In 2003, with a staff of 40, SITA Indian Trails handled over 20,000 foreign tourists with a turnover of US\$ 7 million. The operations are streamlined with three market-focused departments: English Department, European Department and Far East Department.

Committed to excellence, the staff is IT-savvy, experienced and multilingual. Speaking English, French, German, Spanish, Italian, Japanese, Chinese and

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Korean, they cater to the individual needs of international clients from all walks of life in their respective languages. The quality of services is further enhanced by the presence of our dedicated staff all over the country, which form an indispensable network of transport and communication. The offices are located in cities like New Delhi, Agra, Bangalore, Chennai, Cochin, Goa, Jaipur, Jodhpur, Kathmandu, Khajuraho, Mumbai, Thiruantapuram, Udaipur and Varanasi.

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**10.4.3 COX & KINGS India Ltd.**

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Cox & Kings is the longest established travel company in the world. Its distinguished history began in 1758 when it was appointed as general agents to the regiment of Foot Guards in India under the command of Lord Ligonier. By 1878, C&K were agents for most British regiments posted overseas, including the Royal Cavalry, Artillery and Infantry, as well as the Royal Wagon Train and the Household Brigade. The Royal Navy was next and in 1912, The Royal Air Force came under its wings. Between the 1750's and the 1950's, Cox & Kings was witness to an exciting era in Indian history, and, in its way, helped to shape it. Today, Cox & Kings is a premium brand in all travel-related services in the Indian subcontinent, employing over 800 trained professionals.

At present, the COX & KINGS group has offices in UK (2 offices), USA, Japan, Germany, Italy, Turkey, Pakistan and Nepal. In India, Cox & Kings has offices in Mumbai, New Delhi, Chennai, Bangalore, Calcutta, Ahmedabad, Cochin, Hyderabad, Pune, Goa and Jaipur and one satellite office in Andheri in Mumbai and Gurgaon in Delhi.

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**10.5 Indo Asia Tours:**

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Indo Asia Tours was founded in February 1987 by a dedicated group of professionals, experienced in every facet of tourism in the Indian sub-continent, and each with more than a decade of experience behind him. It is an owner-managed organization, hence good personalized services, prompt replies and

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competitive rates are its benchmarks. The company is headquartered in Delhi, besides having branch offices in Mumbai, Bangalore, Chennai and Kathmandu. The company has 45 sub-agents all over the Indian subcontinent. The company is registered and recognized by the Ministry of Tourism, Govt. of India and is member of several international organizations, like ASTA, PATA, DRV, COTAL, IATO. Since its inception the company has experienced rapid but steady growth and presently handles tourists from 19 nations of the Globe. Ever since its inception, the company has regularly received The National Tourism Award for Excellence in Travel Industry from the Govt. of India.

The Company has been awarded No. 3 positions in the First Category by Department Of Tourism, Government of India in 2001-2002.

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**10.6 The Company at a Glance:**

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- **Tourist Guide:**

The company knows that the success of any tour largely depends on a good tourist guide. For this, it has a group of in house professionals doing the escorting job with the tourist group. They speak different foreign languages and keep themselves abreast with the latest information. This results in very satisfied clients who keep repeating their visits to various parts of this sub-continent.

- **Transport Division:**

The company has its fleet of 12 modern (Indian make) buses. The bus sizes vary from 10 to 35 seats. All busses are air-conditioned and have very comfortable seats. All are well experienced, service-oriented and has been with the organisation for the last 5 years. The company has also a small fleet of new medium-size cars.

- **Hotel Division:**

The company owns three hotels. These are 3-star properties located in Jaisalmer, Bikaner and Madikeri (Karnataka -South India). The company has plans to build

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a hotel in Hassan (Karnataka) and yet another one in Hampi - a World Heritage Site in the State of Karnataka. The company has a plan to have these hotels operational in the year 2008.

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**10.7 Thomas Cook India Ltd.**

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During John Mason Cook's 1881 visit to India, he set up the company's first Indian office in Mumbai. He courted senior government officials and he negotiated special rates with railway officials. On his return, India was officially added to Cook's Travel Empire with the publication of a shilling brochure entitled Cook's Indian Tours. It contained an extensive programme of tours and numerous tips for first-time visitor. The number of tourists visiting India was initially small, but Cook's position was enhanced by several official commissions. In 1887, the firm was invited to make arrangements for senior British officials and Indian princes to attend Queen Victoria's golden jubilee celebrations in London. In the 1890's Cook's set up the Indian Princes Department for the sightseeing purpose of Royal family members. Also in 1887, following overtures from the viceroy, Cook's began organizing the transport of Indian Muslims on the annual pilgrimage to Mecca. They had previously been subjected to terrible conditions and extortion's, and Cook's brought welcome order to the proceedings. The agreement was terminated by the Indian Government in 1893.

Subsequently, it expanded to the cities of Kolkata, Bangalore, Delhi and Chennai, under the aegis of Thomas Cook Overseas Limited. The current company, Thomas Cook (India) Limited (TCIL) came into existence with effect from November 1, 1978. TCIL made its public issue in February 1983.

**Size:**

Present in 19 cities across 67 locations in India Over 1100 employees

**Thomas Cook (India) Limited- National Network:**

TCIL has offices in Mumbai, Pune, New Delhi, Gurgaon, Chandigarh, Agra, Ahmedabad, Bangalore, Baroda, Bhubhaneshwar, Chennai, Cochin, Goa, Hyderabad, Jaipur, Jalandhar, Kolkata, Trivandrum and Vishakapatnam. TCIL has Foreign Exchange Counters at the international airports of Mumbai, New Delhi, Kolkata, Chennai, Cochin and Trivandrum, open 24 hours and 365 days a year to cater to the needs of the international and domestic traveller. TCIL also has a round-the-clock Foreign Exchange counter at the New Delhi Railway Station.

**Leisure Travel:**

The Leisure Travel division promotes domestic inbound and outbound holidays. The business is already one of the top two names in leisure travel in the country. The Tour Operating sub-division operates over 40 Group Inclusive Tours (GIT) to leading destinations in all 5 continents and also promotes Free Individual Travel (FIT) to over 50 countries around the globe. It also offers domestic tours in the country. To offer Indians a full range of holidays, the company has also forged ties with the best names in the leisure business such as Globus & Cosmos, Rail Europe and Star Cruises.

The Incoming Services sub-division caters to the needs of tourists visiting India from all over the world. This division currently caters to the needs of over 50,000 foreign tourists in India and is one of the top two names in the country for incoming services. It handles tourists in all segments including Charters, FIT, regular and ad hoc groups and incentives. In fact, Thomas Cook India is the undisputed market leader for the charter segment of the industry which gives it access to the lowest hotel and transport rates in the country. The Conferences & Convention cell provides several large international conferences in India and has been recognised as the leading conference organiser in India.

**Foreign Exchange:**

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Thomas Cook (India) Ltd is a leading foreign exchange provider and offers a wide range of innovative products and services. These include Cash Passport, a reloadable global card that enables travellers to withdraw local currency from more than 800,000 Visa ATMs across 144 countries worldwide; Wire transfers of funds worldwide, using the SWIFT network; MoneyGram money transfer service for quick money transfers to India from anywhere in the world.

Thomas Cook has banknotes in 25 currencies and traveller's cheques and foreign currency drafts in major currencies such as US Dollars, Pounds Sterling, Euro, Australian Dollars, Swiss Francs, Japanese Yen and Canadian Dollars. Their customers include persons travelling on business, leisure, employment, medical treatment, further studies and migration. Thomas Cook is also the largest player in the bulk foreign exchange business handling bulk currency volumes for the countries leading banks and moneychangers. This branch has over 20 money exchange bureaus at the Mumbai, Delhi, Kolkata, Trivandrum, and Cochin International Airports, which operate 24 hours a day to provide foreign exchange services to travellers at gateway locations.

**Corporate Travel Management:**

In this segment, Thomas Cook effectively “manages” the travel budgets of several large national and multinational companies such as TCS, Reliance Industries, Godrej, Sanmar, Mahindra British Telecom, Texas, Instruments, Mastek and Tata Motors.

Thomas Cook sets up ‘On-sites’, which are CRS-linked and offers comprehensive end to end travel solutions.

**Insurance:**

Thomas Cook (India) Ltd. is the only travel company in India to have a registered license to sell insurance and offers its own Travel Insurance branded products

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## **Travel Agency Management and Tour Operations** **MTTM-04**

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Viz. Travel Care, Scholar Care, Family Care, Corporate Care and Travel Perks exclusively designed for different customer segments like Leisure Traveller, Students, Family, Corporate & Frequent Flyers.

### **Incentives and conferences:**

Corporate Marketing & Incentive is one of Thomas Cook's Travel divisions to cater to the needs of the corporate clientele. For many organizations and establishments, incentive travel has become a tool to motivate their employees at work. The company specializes in providing travel arrangements with high-quality services for individuals as well as an organization from different industries. Our clientele includes Multi-National Companies, academic institutions, government bodies, exhibition organisers, community clubs, resident committees, etc.

### **Available Products and Services:**

Group Air-ticket booking

Group Hotel Accommodation Arrangement

Seminars/Conference

Tailor-Made Incentive

### **Business Travel:**

Thomas Cook effectively "manages" the travel budgets of several large national and multinational companies. The company's large volumes and immense buying power help the agency in effectively managing the travel budgets of several MNC's, blue-chip companies and multinational banks to their advantage. Thomas Cook knows the needs of the corporate traveller like no one else does and provides businesses with a complete basket of products for all their travel needs including the following:

- Air Reservations
- Hotel Reservations

- Car rental
- Passport/Visa Service
- Foreign Exchange
- Conference/Incentive tour arrangements

Its branches specialize in offering tailor-made Travel Policies for each corporate, thereby bringing savings on spend, by focusing on areas such as:

- Travel Policy Review
- Travel Planning and Budgeting
- Joint definition of preferred vendors and joint negotiation of preferred rate programs
- Consolidation of Spends onto a limited number of preferred suppliers
- Travel Policy Compliance
- Corporate MIS generating details as required by the Corporate
- Streamlining of Ordering Procedure
- Review Procedure to review the corporate on pre-determined intervals

The company's Travel Insurance products under the brand Travel Care is high on service excellence, worldwide coverage and value for money.

- Issue of policy for the ages between six months to 70 years.
- No medical certification required for any individual irrespective of age and destination.

Any pre-existing ailments or medical conditions are not covered under this policy.

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**Check Your Progress:**

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Answer the following questions.

1. Travel Corporation (India) Pvt. Ltd. (TCI) was established in the year\_\_\_\_\_

2. SITA Indian Trails is a business unit of \_\_\_\_\_ Travel India Pvt. Ltd.
  3. Indo Asia Tours was founded in year \_\_\_\_\_
  4. Thomas Cook (India) Limited (TCIL) was established in year \_\_\_\_\_
- Check your answer with the one given at the end of the unit.

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**10.8 Le Passage to India:**

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**10.8.1 Profile:**

Le Passage to India Tours and Travels Pvt. Ltd. is the country's fastest-growing destination management company. Set-up in August 2002, Le Passage to India is already amongst the top two inbound tour companies in a short period. The company is specialized in package tours and tailor-made holidays for groups and discerning individual travellers to whom it offers a wide range of specially designed products. With its headquarters in New Delhi, the company is managed by over 200 travel professionals with over 500 years of collective travel experience. The well-knit motivated team of committed people who have in-depth knowledge of the business and unspoken passion to promote tourism in the Indian subcontinent ensures that all guests are well looked after. The philosophy is simple and aims to apply strong management practices in an atmosphere of collaboration and intellectual honesty. Le Passage to India is recognized by the Department of Tourism, Government of India. The company mission is to make "Travel" a truly magical experience with the vision to make the company India's top Travel Company

**Aims:**

- To be India's most trusted travel company
- Exceed customer expectation of service – "wow" on every smile
- Be the employer of choice

- Foster partnerships with client & supplier
- Meet shareholders expectations

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**10.8.2 LPTI Products and Services:**

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The company sells and promotes various kinds of tours in India under the following headings:

- **Cultural tours:** This category shows the best essence of India including South India, Rajasthan, Golden Triangle (Delhi- Agra and Jaipur), North India and a combination of India with Nepal.
- **Incentive tours:** The tour to Golden Triangle in this category is the best incentive tour by the company.
- **Special interest:** Under this category, the company offers architecture and Handicraft tours.
- **Adventure and wildlife-** This category offers tours in Ladakh and wildlife areas of Coorg. The elephant safari at Corbett National Park is another attraction of this category.
- **City Stopovers-** Under this category the company offers 04 metropolitan cities of India with a 3-4 days itinerary.

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**10.9 Summary:**

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In this unit you have discussed the following things:

- Tourism is a very important tool for the world economy and it has tremendous potential for the employment generation.
- Tourism is a business concept and a strong tool for the social development
- The development of tourism in India has come up with the efforts of the Travel Agents Association of India.
- The details and case studies of leading travel agencies and tour operators of India.
- The different products and services offered by selected travel agencies.



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**10.10 Answers to Check Your Progress**

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1. 1961
2. Kuoni
3. February 1987
4. NOV 1, 1978.

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**10.11 Suggested Readings:**

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- Website of TCI, [www.tci.com](http://www.tci.com)
- Website of Cox and Kings, [www.coxandkings.com](http://www.coxandkings.com)
- Website of SITA, [www.sitaindia.com](http://www.sitaindia.com)
- Website of Indo Asia Tours, [www.indoaisa-tours.com](http://www.indoaisa-tours.com)
- Website of Thomas Cook India, [www.thomascook.co.in](http://www.thomascook.co.in)
- Website of Le Passage to India, [www.lepassagetointia.com](http://www.lepassagetointia.com)

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**10.12 Review Questions:**

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1. Why the tourism business is important?
  2. What is the role of TAAI?
  3. Define the business functions of a travel agencies and tour operators.
  4. Write a short note on the history of the travel agency business in India.
  5. Explain the growth and development of SITA.
-

6. Explain the organizational update of Travel Corporation of India Ltd.
7. Write a detailed note on the insurance services provided by Thomas Cook.
8. Describe the different packages of Le Passage to India.
9. Write short notes on Indo Asia Tours and Cox and Kings.
10. Write a detailed note on the development of Orbit and its contribution as a leading trade fair organizer in India.

**UNIT-11**  
**Factors Affecting the Tour Cost**

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**Structure:**

11.0 Objectives

11.1 Introduction

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- 11.2 Factors affecting the tour cost
- 11.3 Cost sheet
  - 11.3.1 Significance of tour cost sheet
- 11.4 Costing a tour package
  - 11.4.1 Ground operator quotation
  - 11.4.2 Tour wholesale quotation
- 11.5 Costing the elements of a tour package
  - 11.5.1 Transportation
    - 11.5.1.1 Airfare
    - 11.5.1.2 Motor coach pricing
  - 11.5.2 Lodging
    - 11.5.2.1 Lodging Meal Plans
    - 11.5.2.2 Restaurants
  - 11.5.3 Sightseeing and Guide Service
- 10.6 Summary

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**11.0 Objectives:**

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After reading this unit, you will be able to:

- Discuss the factors affecting tour costing.
  - Explain the cost of a tour package.
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- Describe the meaning and significance of tour cost
- Prepare cost sheet for tour packages.
- Explain different elements of tour costing.
- Describe the procedure for cost determination.

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**11.1 Introduction:**

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Perhaps the single most important element in developing a group tour is proper costing. Here is where many novices make serious mistakes. If you are not very careful in costing a tour, you may so overprice it that it is unmarketable. It is just easy to err in the other direction and cost a tour so that you barely break even or you may lose money. There are many snares in costing. These include such items as portorage (how many pieces of luggage), airport taxes, and tips for guides, currency fluctuations, and so forth, it is essential to study and fully understand all aspects of tour cost.

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**11.2 Factors Affecting the Tour Cost:**

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Determination of accurate tour cost is the main task of the tour planner/tour-costing manager. The cost should be designed in such a way that it must generate an adequate profit for survival. Before costing a tour, the tour-costing manager considers the following factors, which have a profound impact on the company's profitability position.

- Seasonality
- Exchange rate movements
- Competitor's price strategy
- Increase in other costs
- Impact of liberalization and globalization
- Promotional pricing
- Market segmentation pricing
- Increase in fuel and other costs

The cost management of a travel company when wielded wisely indeed acts as a crucial bridge between strategic and operational efficiency that can channel the

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working of the entire organization towards the unified aim of achieving competitive advantage. Every strategic choice that a travel company makes, viz, costing a tour package, the introduction of new products/ services to new products and so on, must be validated by its cost implications. Thus, while costing a product, the tour company should concentrate on the four pivots namely- cost consciousness, cost measurement, cost responsibility and cost improvement.

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**11.3 Cost Sheet:**

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A tour cost sheet is a statement designed to show the total costs along with the break up of tour costs. The information incorporated in tour cost sheets are collected/derived from the confidential tariff. The confidential tariff is prepared after negotiating the rates quoted by the suppliers like hotels, airlines, railways and others. The handling agency/destination company also prepares a confidential tariff. There is no fixed form for the preparation of a confidential tariff and tour cost sheet. But to make the cost sheet more useful, it is usually prepared in a systematic form like transportation, hotel, transfer etc.

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**11.3.1 Significance of Tour Cost Sheet:**

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Cost sheet will reduce the chances of errors or omissions in the calculations and the tour operator will have a clear picture of the profits made on the arrangements. The advantages of cost sheet are:

- It discloses the total tour costs and the cost per passenger.
- It enables the tour company to keep a close watch and control over costs.
- It helps in fixing up the selling price more accurately.
- It helps the tour company to submit quotations.

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**11.4 Costing of the Tour Package:**

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In a group tour, it is especially important to estimate realistically the number of tour members. Do not be overly enthusiastic and get carried away so that you

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misjudge anticipated tour membership. Such exuberance is likely to cause serious problems later. For example, if you assume that you will be able to sell forty bookings and you end up with twenty bookings, you will not have any leeway if the price was quoted based on forty. You will have to operate the tour at break-even or at a loss, cancel the tour completely, or go back to the tour members to collect more money. You should always put a clause in the terms and conditions statement to the effect that the price is based on a specified number of participants and if the number drops below that, the price will be increased. Even with forewarning, clients are often irritated, to be asked for more money, so it is far better to base the price on conservative tour membership in the first place.

If you base the tour price on a membership of 25 and end up with 40 bookings, the tour operator or the reception agents will bill the agency at a lower per-person cost. The additional money earned can be absorbed by the agency as a higher profit margin, or it can be used to pay for an unpublished extra, such as a cocktail party, a special dinner, or an additional sightseeing tour. Or it can be refunded to the clients. Here is a tour operator, whose per person land cost of a 21 days tour of Europe;

Basis 15 participants	-----\$1555
Basis 25participants	-----\$1495
Basis 35 participants	-----\$1395
Basis 40 participants	-----\$1295

The per-person cost varies because many of the tour components have fixed prices that must be divided equally among whatever number of tour members there are. For example, the cost of a motorcoach is the same whether 25 or forty

passengers use it. If the net cost is \$3500 for a motorcoach and driver and 40 passengers use it, the per person cost jumps to \$140. Other tour components that don't vary in cost concerning the number of participants are sightseeing and transfer motor coaches and the cost of the tour escort.

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**11.4.1 Ground Operator Quotation:**

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Here the pricing formula becomes more complicated and requires accuracy and knowledge on the part of the person costing the tour. Even a small omission, such as overlooking the cost of a city sightseeing tour or transfer, can throw the final price off. Tours are costed by using the ground operators' confidential tariff and by getting written confirmation from each ground operator involved in the itinerary. Many confidential tariffs local currency, so it is important to use current exchange rates on anything quote in a foreign currency.

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**11.4.2 Tour Wholesaler Quotation:**

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The price of the tour package is based on the per person cost of the tour. The only thing the travel agent must add is the mark-up price to cover its expenses and profit. A typical tour price would include:

- Hotels
- Meals
- Transfers
- Sightseeing
- Baggage handling
- Entrance fees, theatre tickets, and so forth
- Tips and Taxes
- Transportation (motorcoach and driver, rail tickets, ferry tickets,)
- Local guides
- Services of a tour manager

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Suppose a group of tourists from Australia ask you to prepare a tour itinerary between Delhi- Agra- Srinagar - Delhi. Suggest them a tour price? The name of your company is Rose Tours Ltd.

Date/ Day	Sector	Flight	Local Time	Activities
01	Delhi	AI 401	0630	Arrival at Delhi Airport. Transfer to the hotel. Afternoon city tour. Overnight at hotel.
02	Delhi	-----		Full day sightseeing by A.C Coach
03	Agra	IC301	0630	Flight to Agra, Transfer to Hotel Taj, Agra. Afternoon city tour. Overnight at hotel.
04	Fatehpur Sikri	----		Excursion to Fatehpur Sikri in the afternoon, transfer to the airport to leave for Delhi. Overnight at hotel.
05	Delhi	IC 500	0600	Transfer to airport to leave for Srinagar. Arrive at Srinagar and transfer to houseboat. Afternoon excursion to city, overnight stay at hotel.
06	Srinagar	-----		City sightseeing, overnight at hotel.
07	Delhi	IC 408	0730	Transfer to airport to leave for Delhi. Arrival at Delhi airport and leave for New Zealand.

***Suggested tour itinerary***

Once the itinerary is finalized, the next step is to negotiate with suppliers at each destination to start costing and pricing of a tour package:

- Identify the four components
- Identify the cost of each tour component
- Segregate total costs into fixed and variable costs.
- Find out fixed and variable costs per passenger.
- Calculate the break-even point in total and per passenger.



- Add fixed costs and variable costs.
- Multiplying the total cost by the budgeted percentage of profit, one will get the total sales price.

**Name of the tour:** Group Inclusive Tour

**Period:** Oct 10 to 16

The variable or product cost of the Delhi-Agra-Srinagar- Delhi tour is \$1342 per pax. But to find out the total cost of this tour, one needs to add the fixed cost. In this tour, the fixed cost is the marketing cost, tour planner's cost, tour manager's salary etc. It means one has to add the administrative costs and the marketing costs to find out the cost of the package sold. Suppose after allocation of fixed cost to each tour, the cost of the portion Delhi-Agra - Srinagar-Delhi is \$250 per pax., then the total cost of the package sold will be:

Variable cost + fixed cost i.e.        = \$1342 + \$ 250 = \$ 1592

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### **11.5 Costing the Elements of a Tour Package:**

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#### **11.5.1 Transportation**

##### **11.5.1.1 Airfare:**

Commercial air tickets sold on a regularly scheduled flight are a simple pricing procedure. Prices quoted include all applicable taxes, so all the tour operator has to worry about is airport transfers. A tour operator also owning a travel agency license would receive a commission, usually 9 to 11 percent, depending on annual gross volume, on the gross (or unreduced) price of a ticket. Sometimes the operator has a choice between the commission on the gross rate or a mark-up applied to a net rate. If a discounted net rate (also known as net non-commissionable) has been given to the tour operator, a small mark-up can be applied. Discounted net rates are often given for 20 tickets or more. Whether or not the tour operator marks up the ticket, the client should not have to pay more for the ticket by purchasing through the tour operator than by purchasing the ticket to travel individually. Because the margin on air tickets is small, and

because many tour operators sell air tours to clients throughout the nation, it is common for tour packages to be sold without airfare, allowing the clients who are located throughout the nation, to work through a local travel agent for the lowest airfare. The client arranges with a travel agent to arrive at the departure point of the tour at the appropriate time. Airfares are also unpredictable, and many require advance payment; therefore, many operators choose to limit their involvement with scheduled flights and allow travel agency experts to handle this component of their tours.

Pricing charter flights are a little more complicated. Again travel agents often handle charter flights. Aeroplanes used for charter purposes range anywhere from five seats to several hundred. The number of people for which the charter is being reserved is therefore critical. Typical motorcoach groups of 35 to 40 are normally better served by scheduled flights; however, if there are multiple groups of 35 to 40 individuals, the price could be drastically reduced by chartering a flight. The greatest risk in chartering flights is in the number of customers and how certain the tour operator is that the group(s) will materialize. In the case of pre-formed groups numbering in the hundreds of people, chartering almost always provides cost savings. The tour operator from 15 to 25 percent, depending on the comparable cost of flying individually, can mark up charter flights.

#### **11.5.1.2 Motorcoach pricing:**

Most motorcoaches have 46 to 48 seats, although the Euro styling concepts popular in the 1980s and 1990s are removing some of the seats to add amenities. Many tour operators are also motorcoach owners, and therefore price their motor coaches based on the driver, maintenance of coach and garage, mortgage, licenses, and other operating costs. The most recent net non-commissionable prices of motor coaches to tour operators have ranged from \$450 per day to \$600

per day. The number of people, who will be on the tour, of course, divides this cost. The price should be somewhat higher for a motorcoach company selling directly to a preformed group, because of the higher annual volume a tour operator can bring to a motorcoach company, allowing for volume discounts. Also, motorcoach operators are expected to protect tour operator rates by giving them deeper discounts than they give end-users. A tour operator needs to translate the daily fee for a motorcoach into a price per person. This translation is the difficult part because the number of people on tour is not known at the time of the reservation. Exhibit 8.1 shows that the daily cost of the motorcoach is strongly influenced by the number of clients on board.

Because the cost of the motorcoach is so drastically affected by how many passengers are on board, tour operators set parameters when pricing tours. When dealing with a tour designed for pre-formed groups, tour operators often set a minimum limit of 30,35, or 40 passengers, depending on their needs. The minimum number required on the tour is called the breakpoint. Setting a minimum number of 30 on a tour is called breaking the tour at 30. The group leader is informed that if their numbers fall below the required minimum, the tour will have to be reprised or cancelled. This method of pricing puts a little bit of pressure on the group leader to make sure that the group meets the required minimum.

For individual tours, the task is more complicated. Individual tours are often priced for fewer people, such as 15 to 25. This raises the price, which is one reason why preformed groups tend to get lower prices than individual tour passengers. By breaking the tour at lower numbers, the tour operator limits risk but raises the price each customer must pay. If the breakpoint is reached, the tour operator makes the minimum acceptable profit margin on the tour that he/she is willing to take. If more customers take the tour, there is an additional profit per tour

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called breakage. If fewer people reserve for the tour, the operator has to make a very critical decision.

Does he/she cancel the tour, or run the tour, potentially at a loss? Some operators will run the tour as loss leader so as not to disrupt a series are running heavy load factors. A heavy load factor assumes two things to be true: that the tour is running over the breakage figures (it is profitable) and that the tour is fairly full. Some may offer a special, or try to sell a "light" tour to small groups, or offer it at a reduced rate to "preferred customers" who wait for last-minute travel bargains.

**Motor coach Costs (Daily Basis)**

Based on Number of Participants

And a \$ 500 Daily Charge

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Number of Participants	Cost per participant	
	One-day tour	Eight-day tour
15	\$33.33	\$266.67
20	25.00	200.00
25	20.00	160.00
30	16.67	133.33
35	14.29	114.29
40	12.50	100.00

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Some operators offer guaranteed departures in their brochures and must run the tour regardless of the load factor. Some are forced to cancel the departure, by attempting to move those with reservations to departures with other dates or other destinations. There is no more critical element that affects tour profitability than fixed tour costs. All fixed tour costs the same amount regardless of how many people take the tour. All fixed tour costs must be “broken” by the minimum number of people on the tour. The total cost of that element is divided by the minimum number of people (breakpoint) on the tour as determined by the tour operator. The relationship between breakpoint and load factors cannot be overestimated. Examples of tour fixed costs include transportation charges. They cost the same for 1 or 40 passengers.

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**11.5.2 Lodging:**

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Hotels, motels, and most lodging establishments utilize similar pricing methods when working with the public and with the tour operator. Many lodging establishments utilize European plan pricing. Which is based on a price per room that excludes meals, baggage handling, tax, and so on? All charges but the room itself is an additional charge. The rack rate is the price charged to someone who walks in to the establishment without the benefit of any discounts; it is the highest price for a room. Tour operators should receive a discounted or wholesale rate, in the form of a net no commissionable rate. The price for rooms at the same property may vary by season, location of room size of room, number and type of beds per room, or by the number of occupants in each room. Tour operators typically prefer to deal with hotels whose prices are flat with respect to the number of occupants. Occupancy terms include single (for one occupant) double or twin (for two occupants), triple 9 for three occupants and quad or quadruple (for four occupants). An example of a flat rate or fixed rate is \$50 double. This flat rating structure is often combined with **a run - of - the -house**

arrangement, which allows the hotelier to decide which room within the price structure is assigned to each guest on a best available basis. Tour operators usually prefer a fixed rate because they realize a savings on doubles and triples when the rate is flat. A spread rate allows the hotel to charge different rates depending on which rooms are assigned to the guests. Examples of different rate structures would be for location, room size, size and number of beds, and so on.

An example of a spread rate is.

\$50/60 single      \$60/70 double

A hotel quoting a tour operator a rate of \$50/60/70/80 is starting with a \$50 rate for one person and adding \$10 per person. Another method of stating the same rate in writing would be “ \$50/+ 10pp.” If a spread rate were used, the contract might state;

\$50/60/70/80 single

\$60/70/80/90 double

The more “spread” the rates, the more difficult they become for the tour operator to work with. Tour operators need to be able to anticipate their expenses exactly, and therefore they hesitate to work with hotels that will not guarantee a rate before a tour checks in.

Almost all hotel rate quotes are pretax, or not including tax. If tax is included in a hotel quote, the term “tax, incl,” or “inclusive of tax” should follow the quote. The hospitality industry does not utilize terminology consistently; therefore it is always best to ask.

It is important to understand the difference between the room rate and a package rate. To quote a price of \$50 per double room and quote of \$50 pp double occupancy mean two completely different things.

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*Understanding Hotel Rate Quotes*

Room Rates versus package Rates

Note the difference between a double room and double occupancy (package rate) quote: A quote of \$50 for a double room means:

\$50 for the room divided by two people = \$25.00 per person

\$50 per person double occupancy = \$50 per person or \$100 per room

*Calculating Room Charges*

**For a quote: \$50/50/50/50, assume a 10% tax rate**

Single occupancy \$50/one person x 110% =\$55.00

(Or \$50 +10% of 50) = \$55.00 per person

Double occupancy \$50/two people = \$25 x 110% =\$27.50 per person

Triple occupancy \$50/ three people = \$16.67 x 110% = \$18.33 per

Person

Quad occupancy \$50/four people = \$12.50 x 110% = \$13.75 per

Person

**For a quote: \$50/60/70/80, assume a 10% tax rate**

Single occupancy \$50/one person x 110% =\$55.00

(Or \$50 +10% of 50) = \$55.00 per person

Double occupancy \$60/two people = \$30 x 110% =\$33.00 per person

Triple occupancy \$70/ three people = \$23.33 x 110% = \$25.67 per

Person

Quad. occupancy \$80/four people = \$20 x 110% = \$22.00 per Person

**10.5.2.1 Lodging Meal Plans:**

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Some lodging properties utilize meal plans in their pricing structures like AP, MAP, CP, BP, EP etc. Lodging properties that use meal plan pricing are package rates and quote prices per person, not per room. Room prices that factor in meal plans can deceive the tour operator. Because tour operators are accustomed to pricing elements separately, hoteliers should be asked to cooperate and do the same. Some hotels, particularly resorts, hesitate to price rooms separately. Some tour operators choose not to work with such hotels.

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**11.5.2.1.1 Restaurants:**

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Restaurant pricing is usually priced on a per-person basis, except in the case of hotels that deal with great numbers of convention clients. Most banquet coordinators or salespeople will be willing to work out a price per person for the menu desired. The biggest problem with banquet and restaurant pricing is in the price of the entrees. Tour members want to be able to choose among several entrees. Some want to order off a regular menu. If the entrée prices vary drastically and the tour demands that clients get to choose between at least two entrees, the tour operator will be forced to pay wildly fluctuating prices based upon each client's choice of entrees. Tour operators should consider this problem when planning menus and attempt to minimize fluctuating prices. Choosing entrees with the same or similar prices help the situation but sometimes result in unimaginative choices. Salespeople can be negotiated with to control these fluctuations. Sometimes weighted average prices can be negotiated.

Restaurant prices should always be quoted inclusive of tax and tips. Because sales tax varies by state or even by country, and the restaurant can charge whatever gratuity they deem fair. The tour operator must be certain to determine what taxes apply and the amount of taxes. Some restaurants do charge more than the standard 15 per cent, so that amount should also be confirmed. Normally, at



least one complementary meal is granted per motor coach; sometimes an additional is given to the driver.

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**11.5.3 Attractions:**

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Attraction prices are normally quoted on a per person basis. The exception to this rule is in the case of a transportation charter, such as a boat or plane. It is wise to determine if the price is inclusive of tax. At least one complimentary is usually granted per 20 to 25 pax (people) or per motor coach. Some drivers do not participate in the attractions, so if a complimentary is given to the driver, it can be used toward a paying passenger.

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**11.5.4 Sightseeing and Guide Service**

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While there is seldom a charge for sightseeing, certain charges must be anticipated. Many cities require a motorcoach to be licensed to drive through or to park. Other cities charge parking fees. In some areas, a small admission fee for the motorcoach only may be charged.

Guide service is very complicated to price. If a guide is on the company daily guide service would be charged at the rate that is paid to the guide plus an amount equal to the benefits (also known as payroll burden) paid to the guide. Benefits can range between 20 and 40 percent of basic wage and includes taxes matched payroll, by the employer an allocation for worker's compensation, insurance for life and health purposes, and the operator provides. Some tour operators utilize tour directors/escorts on an independent contractor basis. An independent contractor does not pay taxes at the time of receiving payment. Neither does the employer pay benefits. However, for these reasons independent contractor rates are usually more expensive because the independent escort has to provide medical insurance and income taxes out of pocket. The total amount is divided by the breakpoint (minimum number of people expected to be on the tour).

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Tour operators that utilize step- on or daily guide service from receptive operators or guide service companies, do not have to pay taxes and other benefits and will be charged a variety of hourly, half-day and daily rates. The guide service company becomes an independent contractor of the tour operators. A half-day rate is usually for 4 hours or less, and a daily rate is for 5 to 8 hours. Daily rates vary anywhere from \$50 daily to \$300 + daily. These rates must also be “broken” by the number of people on the tour.

The operator provides lodging, meals, and admission to attractions for the tour directors/escort, and is usually required to provide admission to attractions for a step-on guide. Meals are usually negotiable. Lodging is not needed for a step-on guide. In addition depending on the practices of each tour operator tipping by tour members may or may not be allowed. If a tour operator prices a tour inclusive of gratuities, a gratuity should be budgeted.

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**Check your progress-II:**

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Answer the following questions.

- 1. Discuss the factors which affect the tour cost?**

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- 2. What do you mean by cost sheet?**

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3. How the costs of accommodation affect the tour package cost?

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4. Explain the influence of transportation modes on a package cost?

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Check your answer with the one given at the end of the unit.

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**11.6 Summary:**

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The cost of a package tour is affected by many factors. Usually, the cost is determined in a structured manner by using a cost sheet, which helps to avoid confusion and complication. There are many elements in a package. All these have a direct impact on the cost of the tour. The cost of the package is often lower than the combined cost of the same services if purchased separately. Some tour

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operators offer tour based fares, special group airfares, from selected origin points. However, the cost varies with the type of transportation, accommodation, transfer, meal plan, sightseeing options etc.

**Answers to Check your progress:**

- 1) See sec no.11.2
- 2) See sec no 11.3
- 3) see sec no 11.5.2
- 4) see sec no. 11.5.1

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**11.7 Glossary:**

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- **Cost sheet** - Tour cost sheet is a statement designed to show the total costs along with the break up of tour costs.
- **Tour wholesaler** - Tour operator who combines the different components and sells it as a package to the clients at a reduced all-inclusive price.
- **Double occupancy** - Two people in one room.
- **Triple occupancy** - Three people in a room.
- **Quad occupancy** - Four people in a room.

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**11.8 Review Questions:**

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1. What are the factors affecting the tour cost?
2. Describe the cost sheet and prepare a cost sheet for an itinerary.
3. How will you cost a tour package?
4. Write a note on cost accommodation.
5. Explain the influence of transportation modes on package cost?

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**11.9 Suggested Readings:**

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- Mohinder Chand, (2000), Travel Agency Management, Anmol Publication Pvt. Ltd.

- Jagmohan Negi, (2001), Travel Agency and Tour operation, Kanishka Publishers and Distributors.
- Betsy Fay, (1999), Essentials of Tour Management, Prentice-Hall.

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## **UNIT-12**

### **Procedure for Setting-UP of Travel Agency and Tour Operation in India: A Brief Overview**

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**Structure:**

12.0 Objectives

12.1 Introduction

12.2 Travel Agency Business- Meaning and Definition

12.3 Tour Operation Business- Meaning and Definition

12.4 Setting Up of Travel Agency and Tour Operation Business- Procedure

    12.4.1 Guidelines for Recognition or Approval of a Travel Agency

    12.4.2 Guidelines for Recognition or Approval of a Tour Operator

12.5 Summary

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**12.0 Objectives:**

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After reading this unit, you will be able to:

- Explain the concept of travel agency and tour operation business;
  - Describe the procedure laid down by the ministry of tourism, Govt. of India for approval of travel agency and tour operation business; and
  - Discuss the various types of tour operators.
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**12.1 Introduction:**

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In the previous blocks you have learnt about the meaning, concept and functions of travel agency and tour operation business and about the hospitality sector . It is clear that a travel agency works as retailer as well as whole seller. In fact, due to the structure of tourism industry a travel agency or tour operator performs multiple functions. It has to deal with various sectors or sub-sectors of tourism and hospitality industry, therefore for smooth functioning it must be recognized or approved by the Ministry of Tourism, Govt. of India and IATA. In this unit an attempt has been made to appraise you about the setting up of a travel agency and tour operation business and their recognition from Ministry of Tourism Govt. of India.

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**12.2 Travel Agency Business- Meaning and Definition:**

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The travel agency is responsible for organising travel. In fact, it is a travel consultant and organiser for tourists. At the same time, it provides a link to the suppliers of services with the tourists/travellers. Hence it is concluded that a travel agency is like a retail store, the uniqueness is that it acts on behalf of both, the suppliers as well as the clients. For example, a tourist visits a Travel Agency to meet his travel demands. The Travel Agency makes the reservation for accommodation, air tickets, arranges for his pick from the airport and so on. Now at the surface, it appears that it is only the tourist who is being catered to or looked after by the travel agency. On the other hand, a travel agency has also served the airline by booking the seat or the hotel by booking the room. In all these services the Travel Agency has provided business to the suppliers of services while serving the tourist at the same time. This demonstrates the importance of the Travel Agency whose role is growing more and more in the modern world. Not every traveller has the energy or time to organise all travel arrangements. The suppliers to don't have the reach to every prospective

customer. Hence, the travel agency plays a vital role between the tourists and the traveller suppliers. It is the link between tourists and suppliers.

Before we go further to explain the various functions and operations involved therein let us look at some of the basic qualities the personnel working in a travel agency should have. One should be:

- Courteous and helpful,
- Able to look at minute details,
- Ready to work under pressure,
- Prepared to work for solving problems
- Proficient in languages etc.
- Sound knowledge of geography - particularly map reading and seasonality,
- Fair knowledge of customs and practices in different countries or at the destinations one is dealing with,
- Information about health, visa, permit and foreign exchange rules, knowledge of arithmetic as fares are to be calculated or worked out,
- Should know typing or working on computers, and
- Have proficiency in communicating skills.

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**12.3 Tour Operation Business: Meaning and Definition:**

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You must have seen advertisements in the newspapers or magazines regarding three days or one week tour that mentions the total price of the tour along with the itinerary. For example, one week in Kerala Rs. 2000 (Rs. 350 worth healthcare coupons free or ten days in Goa inclusive meals. etc. These are the offers of package tours which are available to individuals as well as groups. But have you ever paid attention to this that who packages such tours and why? Or how they are marketed? Well, many individuals work out their details of travel and pleasure. But this is a time-consuming process. Many don't want to bother themselves regarding planning and organising their journeys, stay etc. Rather

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they want this to do by someone else. It is the tour operator who packages all attractions of a destination into one composite product and retails it through the travel agents or directly to the tourists. He creates the demand, travel, market and image of the destination. Thus, it is precisely this demand that led to the origin of package tours. Today, many tourists buy these package tours as per their interests, priorities and budget at a pre-determined price. The complete holiday package tour includes travel (air/surface) accommodation, escort/guide and so on. The person who puts together all these aspects into a package is known as the Tour Operator.

In other words, we can say that Tour Operator is a person who provides information, plans and coordinates travel with various agencies to create a package or service. At the same time, he also ensures smooth operation of the tour. He can thus, also be called a Tour/Travel consultant or Tour Coordinator. The Tour Operator may or may not necessarily have any product of his own but act as an intermediary to tailor a package to meet the needs of a traveller. A tour operator plays an important role in organizing explorations, research expeditions and holidays. We must remember here that tour operations originated ever since people wanted to explore new areas, go on pilgrimages or trade expeditions, individually or in groups. The above fact indicates that a tour operation involves:

- 1) Information of the area of operation i.e. in-depth knowledge of the places of interest, the accommodation, transport facilities and other logistics required for planning a tour.
- 2) Planning of a tour in the most efficient manner.
- 3) Coordination with allied industries or services such as hotel reservations, airline, rail or road transport reservations, local assistance, guides, etc.



- 4) Operations of tour mean close monitoring of the tour i.e. all that is packaged together is working in smooth coordination. In case of a break in the circuit, an alternate is to be organised with the least inconvenience to the client. This is another vital segment in the planning and operation of a tour.

Over the years, due to the rapid changes in the global tourism marketplace, tour operators are playing a pivotal role in the tourism market and catering for the requirements of all types of tourists. Thus, to meet the tourism market requirements tour operators are classified into the following categories:

- **Individual/independent** tour operator
- **In house Tour Operators** like an airline doing the functions of tour operator also
- **Incentive tour operators** who deal only with the sponsors and not with individual clients.
- **Outbound** who operates tours to other countries is called an Out Bound Tour Operator.
- **Domestic** who handles tours of people of mine country for travel within the country is called a **Domestic Tour Operator**.
- **Inbound Tour Operators:** The Wholesaler who markets the tour consolidates the members of the group through many retailers. Finally, the group thus formed is given by the wholesaler as a package to the Inbound Operator of that country or that region. The coordination of hotels, transport and other allied services is then undertaken by the Inbound Operator. Inbound Tour Operators further pass on the services of the group to somebody in the city of visit known as the **Excursion agent**. He coordinates with hotel reservations, organises transport, guides tourists and generally meets the needs of the tourists in that city.

It is not necessary that these have to be separate or one does not operate the other types. But it is seen that since the markets and the style of operations in each one

are distinctly different than the other the operators prefer to stay in their specialized field.

The following illustration clarifies the concept and functioning of tour operators:

A group of 10 members in the UK wants to visit India but does not know how to go about it. The group leader walks into the Travel Agency (Retailer) which he normally uses or thinks can help him. He meets the Travel Consular who talks to him and finds out his interest, the tune he could spend for travel, the tour he could afford, the luxury he is looking for and the season of travel. The Travel Consular then shows him the brochures of the various types of tours which he could recommend with the cities or areas of interest, type of facilities, etc. Such tours have a scheduled date of departure and a set programme. He then books the name of his group on one such group. The wholesaler collects people from all over the country and forms a group. The detail of the whole with names, itinerary and flight details etc. is sent to an Inbound Tour Operator who has organised reservations for hotel, transport and other services all over the country. This Inbound Tour Operator then gives the message to Excursion Agents in each city of visit about the group's strength, arrival and departure details and request for services to be arranged in that city. Normally the following information required by the tour operator:

- 1) Receiving the group at the airport and taking them to the hotel and vice versa.
- 2) Provide appropriate transport for the group to travel in the area.
- 3) Provide a Guide for sightseeing tours.
- 4) Provide tickets for the entrance fee at places of visit.
- 5) Any special services for the group.
- 6) Reconfirm hotel reservations.
- 7) Reconfirm onward flight/train/bus reservation confirmation.

And so the group moves from one excursion agent to another while the Inbound Tour Operator is closely monitoring the movement being the chief coordinator. This way an Inbound Tour Operator can provide pickup service and transport and excursions at each city in India even though he does not have an office in more than one city.

At the same time, there are different categories of Package Tours:

**1) Escorted Tours:** this is an organised and planned tour in which a tour escort serves the group or individual by **accompanying throughout the tour**.

**2) Unescorted Tours:** though organised and planned: there is no escort accompanying the tour. Instead, the group or individual is taken care of at every destination by Tour Host/Excursion Agent whose services have been taken for that particular destination.

From the above discussion, it is clear that before setting up of travel agency or tour operator business one must be aware of the functioning, activities and the product\ service of these organisations. Moreover, before entering into the travel business one must find the answer to various questions:

- size of the organisation,
- the scale of business,
- product line,
- market,
- competitions,
- legal requirements,
- professional staff,
- name of travel agency
- Location of the travel agency or tour operator
- Financial requirements and so forth.

**Check Your Progress-I:**

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Answer the following questions.

- **What is a travel agency?**

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- **Discuss the duties and responsibilities of a tour operator?**

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Check your answer with the one given at the end of the unit

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**12.4 Procedures for the Recognition or Approval of a Travel Agency and Tour Operator:**

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Thus, the above steps are crucial for planning to set up a travel agency and tour operator. Besides this one more crucial step is the approval obtains from the Ministry of Tourism, Govt. of India. This approval helps the travel agency or tour operator to avail various financial and non-financial incentives from the govt. The procedure for recognition of travel agency and tour operator from govt. of India follows as:

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**12.4.1. Guidelines for Recognition or Approval of a Travel Agency:**

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1. The aims and objectives of the scheme for recognition shall be to promote travel and tourism in India. This is a voluntary scheme open to all bonafide travel agencies.
2. Definition: A travel agency makes arrangements of tickets for travel by air, rail and ship; passports; visas, etc. It may also arrange accommodation, tours, entertainment and other tourism-related services.
3. All applications for recognition as a travel agent shall be addressed to the Director-General of Tourism, Transport Bhawan, 1 Parliament Street, New Delhi – 110001.
4. The following conditions must be fulfilled by the travel agency for grant of recognition by the Ministry of Tourism:
  - i. The application for grant of recognition should be in the prescribed form and submitted in duplicate.
  - ii. The travel agency should have a minimum paid-up capital (or capital employed) of Rs. 5.00 lakh duly supported by the Audited Balance Sheet/chartered accountant's certificate.
  - iii. The travel agency should be approved by International Air Transport Association (IATA) or should be a General Sales Agent (GSA) of IATA member airlines.
  - iv. The minimum office space should be 250 sq ft. Besides, the office should be located in a neat and clean surroundings and equipped with telephone, fax, computer reservation system, etc. The office may be located preferably on a ground floor or first floor is situated in a residential area with sufficient space for reception and easy access to toilet facilities.
  - v. The travel agency should be under the charge of a full-time member who is adequately trained, experienced in matters regarding ticketing, itineraries,

transport, accommodation facilities, currency, customs regulations and travel and tourism-related services. Besides this, greater emphasis may be given to effective communication skills and knowledge of foreign languages other than English. There should be a minimum of four qualified staff members out of which at least two should have a Diploma/Degree in Travel and Tourism from a recognised university, IITTM or institutions approved by AICTE. The academic qualifications may be relaxed in case of exceptionally experienced personnel in case of airlines, shipping, transport, PR agencies, hotels and other corporate bodies and for those who have worked for three years with IATA/UFTAA agencies.

- vi. The travel agency should have been in operation for a period of one year after IATA approval at the time of applying.
  - vii. The travel agency should be an income-tax-assessee and should have filed Income Tax Return for the current assessment year.
5. Recognition as a travel agency will be granted for three years and renewed thereafter for five years on an application made by a travel agency along with the fee.
  6. The travel agency is required to pay a non-refundable fee of Rs 2,000 while applying for the recognition. The fee will be payable to the Pay & Accounts Officer, Ministry of Tourism, in the form of a Bank Draft. The fee for recognition of each branch office will be Rs 1,000. Renewal fee will be Rs 1,000 and Rs 500 for the Head and each Branch Office respectively.
  7. Recognition will be granted to the Head Office of the travel agency. Branch Offices will be approved along with the Head Office or subsequently provided the particulars of the branch offices are submitted to the Ministry of Tourism and accepted by it.

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8. The decision of the Government in the matter of recognition shall be final. However, the Government may in their discretion refuse to recognise any firm or withdraw/withhold at any time the recognition already granted with the approval of the competent authority. Before such a decision is taken, a necessary Show Cause Notice would invariably be issued and the reply considered on merit. This will be done as a last resort. Circumstances under which withdrawal is resorted to would also be brought out.

9. The travel agency granted recognition shall be entitled to such incentives and concessions as may be granted by the Government from time to time and it shall abide by the terms and conditions of recognition as prescribed from time to time.

10. The travel agency should employ only regional guides trained and licensed by the Ministry of Tourism, Government of India and state level guides approved by State Governments.

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**Application Form for Recognition or Approval of Travel Agency:**

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1. Name and address of Head Office & Branch Offices.
2. Nature of the firm and the year when it was registered or commenced business, with documentary proof.
3. Names of directors/partners, etc. The details of their interests, if any, in other business may also be indicated.
4. Give particulars of staff employed, their qualifications, experience, salary and length of service with the firm.
5. Give details of office premises like space in sq ft location whether the commercial or residential area, the floor of the building, reception area and accessibility to toilets.
6. Name of Bankers (Please attach a reference from your bankers).
7. Name of Auditors. A balance sheet and profit & Loss statement about the travel business, as prescribed under Company Law, must be submitted by each

applicant. These audited statements should be in respect of your establishment for the last completed financial year or the calendar year immediately preceding the date of submission of your application. Also, furnish details of your turnover in the following Performa:

**Particulars of the Travel Agency concerned:**

- (a) Paid-up capital (or capital employed)
- (b) Loans
  - i. Secured
  - ii. Unsecured
- (c) Reserves
- (d) Current liabilities and provision
- (e) Total (a to d):
- (f) Fixed assets (excluding intangible assets)
- (g) Investments
- (h) Current assets
- (i) Intangible assets
- (j) Total (f to i):

**Notes:**

- (i) Reserves should include the balance of profit & loss account and exclude taxation reserve.
  - (ii) Current liabilities and provisions should include taxation reserve.
  - (iii) Current assets should include debts, loans, advances, cash and bank balance.
  - (iv) Intangible assets should include goodwill preliminary expenses, tenancy and business rights, deferred revenue expenditure, accumulated loss, etc.
8. Copy of the acknowledgement certificate in respect of income tax return for the current assessment year should be enclosed.



9. Whether any other activities are undertaken by the firm besides travel-related activities.
10. Please indicate the air/shipping/railway ticketing agencies held by the firm.
11. Please indicate membership of the International Travel Organization, if any.
12. Letter of approval of IATA and Certificate of accreditation for the current year should be enclosed. GSAs of IATA airlines should enclose documentary proof in this regard.
13. Please enclose a Demand Draft of Rs 2,000 for Head Office and Rs 1,000 for each Branch Office as the fee for recognition and Rs. 1,000 and Rs.500 for Head Office and each Branch Office respectively if the application is for renewal of recognition. (Please mention the DD No., date and amount.)

Signature of Proprietor/Partner/Managing Director

**Rubber Stamp:**

**Place:**

**Date:**

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**12.4.2 Guidelines for Recognition as an Approved Tour Operator:**

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1. The aims and objectives of the scheme for recognition shall be to promote tourism in India. This is a voluntary scheme open to all bonafide tour operators.
2. Definitions: A tour operator makes arrangements for transport, accommodation, sightseeing, entertainment and other tourism-related services for tourists.
3. All applications for recognition as a tour operator shall be addressed to the Director-General of Tourism, Transport Bhawan, 1 Parliament Street, New Delhi - 110001.
4. The following conditions must be fulfilled by the tour operator for grant of recognition by the Ministry of Tourism:

- (i) The application for grant of recognition should be in the prescribed form and submitted in duplicate.
- (ii) The tour operator should have a minimum paid-up capital (or capital employed) of Rs. 2.00 lakh duly supported by the latest audited Balance Sheet/Chartered accountant's certificate.
- (iii) The turnover in terms of foreign exchange or Indian rupees by the firm from tour operation only should be a minimum of Rs 10.00 lakh duly supported by Chartered Accountant's certificate.
- (iv) The tour operator should have an office under the charge of a full-time member of the staff, who is adequately trained/experienced in matters regarding transport, accommodation, currency, customs 'regulations and, general information about travel and tourism-related services. However, greater emphasis may be given to effective communication skills and knowledge of a foreign languages other than English. There should be a minimum of four qualified staff members out of which at least two should have a Diploma/Degree in travel and tourism from a recognised university, IITM or an institution approved by AICTE.

The academic qualifications may be relaxed in case of exceptionally experienced personnel in airlines, shipping, transport PR agencies hotels and other corporate bodies and for those who have two years experience with the Ministry of Tourism approved tour operators.

- (v) The tour operator should have been in operation for a minimum period of two years before the date of application.
- (vi) The minimum office space should be 250 sq ft. Besides, the office should be located in neat and clean surroundings and equipped with telephone, fax, computer reservation system, etc. The office should be located preferably on a

ground floor or first floor, is situated in a residential area with sufficient space for reception and easy access to toilets.

- (vii) The tour operator should be an income tax assessee and should have filed Income Tax Return for the current assessment year.
5. The recognition as an approved tour operator shall be granted for three years and renewed thereafter every five years on an application made by the tour operators along with the fee.
  6. The tour operator is required to pay a non-refundable fee of Rs 2000 while applying for the recognition. The fee will be made payable to the Pay & Accounts Officer, Ministry of Tourism in the form of a Bank Draft. The fee for recognition of each branch office will be Rs 1000 Fee for renewal will be Rs. 1000 and Rs. 500 for the Head and Branch Offices respectively.
  7. Recognition will be granted to the Head Office of the tour operator. Branch Offices will be approved along with the Head Office or subsequently, provided the particulars of the Branch Offices are submitted to the Ministry of Tourism and accepted by it.
  8. The decision of the Government of India in the matter of recognition shall be final. However, the Government of India may in their discretion refuse to recognise any firm or withdraw/withhold at any time, recognition already granted with the approval of the competent authority. Before such a decision is taken, a necessary Show Cause Notice would invariably be issued and the reply considered on merit. This will be done after careful consideration and generally as a last resort. Circumstances under which withdrawal is resorted to would also be brought out.
  9. The tour operator granted recognition shall be entitled to such incentives and concessions as may be granted by the Government from time to time and shall

abide by the terms and conditions of recognition as prescribed from time to time by the Ministry of Tourism, Government of India.

10. The tour operator should employ only regional guides, trained and licensed by the Ministry of Tourism, Government of India, and state-level guides approved by State Governments.

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**Application Form for Recognition or Approval of a Tour Operator:**

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1. Name and address of Head Office and Branch Offices.
2. Nature of the firm and the year when it was registered or commenced business, with documentary proof.
3. Names of directors/partners, etc. The details of their interests, if any, in other business may also be indicated.
4. Give particulars of the staff employed, their qualifications, experience, salary and length of service with the firm.
5. Give details of premises, viz., space in sq ft location (whether in a commercial or residential area), the floor of a building, reception area and accessibility to toilets.
6. Name of Bankers (please attach a reference from your Bankers.)
7. Name of Auditors. A Balance Sheet, profit and loss statement about tour operation business, as prescribed under Company Law, must be submitted by each applicant. These audited statements should be in respect of your establishment for the last completed financial year or for the calendar year immediately preceding the date of submission of your application. Also, furnish details of your turnover in the following statement:

**Particulars of the Tour Operator Concerned**

- a. Paid-up capital (capital employed)
  - b. Loans
    - i. Secured
    - ii. Unsecured
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- c. Reserves
  - d. Current liabilities and provisions
  - e. Total (a to d)
  - f. Fixed assets (excluding intangible assets)
  - g. Investments
  - h. Current Assets
  - i. Intangible Assets
  - j. Total (f to i)
8. Copy of acknowledgement in respect of Income-tax return for the current assessment year should be enclosed.
9. Whether any activities are undertaken by the firm besides tour operation.
10. Membership of International Travel Organisations.
11. (a) Give details of the volume of tourist traffic handled up to the date of application showing foreign and domestic tourist traffic separately. (Please submit a certificate from a chartered accountant. This certificate should show the receipts from tour operation only during the financial year or the calendar year immediately preceding the date of submission of your application).
- (b) Clientele: Special tourist groups handled, if any, their size, frequency.
- (c) Steps taken to promote domestic tourist traffic and details of the groups handled, if any.
- (d) Special programmes if any, arranged for foreign tourists.
12. Number of conferences handled, if any, and the total number of passengers for such conferences with details of locations, etc.
13. Number of incentive tours handled.
14. Please enclose a Demand Draft of Rs. 2000 for Head Office and Rs 1000 for each Branch Office as the fee for recognition and Rs 1000 and Rs 500 for Head Office

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and each Branch Office respectively if the application is for renewal of recognition. (Please mention the DD No., date and amount).

Signature of Proprietor/Partner/Managing Director

Rubber Stamp of the Firm\ company      Place:                      Date:

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**Check Your Progress-II**

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Answer the following questions.

1. Give the steps for establishing a travel agency.

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2. How a tour operator is approved by the Ministry of Tourism?

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Check your answer with the one given at the end of the unit.

**12.5 Summary:**

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In this unit, we attempted to give you an idea about the setting up of a travel agency and tour operation business as an entrepreneur. There are ample opportunities for those who are planning to enter this vital sector of the tourism industry. Even many of you have huge opportunities right in your location if your area is a tourist destination. In this unit, you must be understood the procedure for the approval of a travel agency and tour operator from the Ministry of Tourism, Govt. of India.

**12.6 Answers to Check Your Progress:**

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**Check Your Progress-I**

- 1) See Sec. 12.2
- 2) See Sec. 12.3

**Check Your Progress-II**

- 1) See Sub-Sec. 12.4.1
- 2) See sub- Sec. 12.4.2

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**12.7 Suggested Readings:**

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- Chand Mohinder (2006) Travel Agency Management-An Introductory Text, 2nd.(Ed.), Anmol Publications Pvt. Ltd., New Delhi.
- Hollway (1999) The Business of Tourism, Pitman.
- Ministry of Tourism, Govt. of India, Annual Report 2005, 2006.
- Negi J.M., (2001) Travel Agency and Tour Operator - Concepts and Principles, Kanishka Publications, New Delhi.

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**12.8 Review Questions:**

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1. Explain the procedure for approval of a travel agency lay down by the Ministry of Tourism, Govt. of India.
  2. Discuss the procedure to establish a travel agency.
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3. Discuss the procedure for approval of tour operator by the Ministry of Tourism, Govt. of India.
4. Discuss how you would establish a travel agency after passing this course in the hill area.

**Unit-13**  
**TAAI & IATO**

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**Structure:**

**13.1 Introduction**

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13.2 Objective

13.3 Tourism Organization

13.4 Private Sector Tourism Organization: India

13.4.1 IATO

13.4.2 TAAI

13.5 Summary

13.6 Glossary

13.7 Answer to check your progress

13.8 References

13.9 Suggested Readings

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**13.1 Objectives:**

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After reading this unit you will be able to:

- Understand the need for tourism organization
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- Familiarize yourself with various types of tourism organisations
- Know about the main objectives of tourism organization.
- Learn about the functions and relevance of some of these organizations.

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**13.2 Introduction:**

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Travel trade in India is relatively new. At the time of independence, there was hardly any travel company in India worth the name in the present context. The travel business in India in an organized manner started with the setting of the TAAI, Travel Agents Association of India in Mumbai. The Travel Agents Association of India (TAAI) was formed towards the end of the year 1951 by a group of twelve leading Travel agents, who felt that the time had come to create an Association to regulate the travel industry in India. The primary purpose was to protect the interests of those engaged in the industry, to promote its orderly growth and development and to safeguard the rights of the travelling public. TAAI represents all that is professional, ethical and dynamic in our nation's Travel related activity and has been recognized as the voice of the Travel and Tourism industry in India. With a membership database of over 1800 Active; Allied and Associate members comprising of IATA accredited Travel Agencies; Airlines & General Sales Agencies; Hotels and Tour operators; TAAI is the largest Travel Association of India. Before it, there were two major companies Thomas Cook and Sons and The American Express with their main branches and Indian companies, Jeena and Co., Lee and Muirhead India Pvt. Ltd., and N. Jamnadas and Co. Ltd., operating in India. However, the bulk of international tourists were handled by Thomas Cook and sons and the American Express. In 1920, Jeena and Company, the first Indian travel agency organized group tours abroad and in India for Indian travellers and it handled the first group of foreign tourists in 1950. However, Jeena and

Company and other two Indian travel agencies were merged into one composite travel company known as Travel Corporation of India Ltd, popularly known as TCI in 1961. After this, there were several travel companies established in Indian such as SITA (1963) Thomas Cook India Ltd, American express, Cox and Kings, Ind. Travel and so forth.

Presently there are more than 500 travel companies on the approved list of the Department of Tourism, Government of India which are located in 50 cities of the country and many have promotional offices abroad too. In addition to this, there are a large number of non recognized travel agencies or registered with respective states, scattered in the country. In India, there are more than 400 travel companies approved by the IATA, International Air Transportation Association and a number of them have more than one office or branch.

Association of an organisation with a particular discipline with similar such organisations becomes a combined effort to develop the discipline. This association can be at various levels – Local, Regional, National and International. The tourism organizations emerged to develop and promote the subject of tourism. The role of tourism organizations in strengthening tourism by way of combined efforts is therefore of vital importance.

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**13.3 Tourism Organization:**

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Over the years many organizations have emerged in tourism. They have played a vital role in tourism policy formation, planning, promotion, infrastructure and resort development, protecting the rights of tourists, negotiations etc. Factors like the importance of tourism in generating foreign exchange, employment prospects, national interests and at times the stage of development have determined the need for such organizations and accordingly influenced their growth and functions.

These organizations exist in the public sector as well as the private sector and at different levels i.e. global, national, state and local. For example, World Tourism Organization, Indian Tourism Development Corporation, Uttarakhand Tourism Development Board etc. A recent addition has been of some NGO's devoting full time to issues concerning tourism. Different segments of the industry also have their organizations to defend and promote their rights like the Travel Agents Association of Tourist Guides Association.

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**13.4 Private Sector Organizations in India:**

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In this section, we discuss the most prominent organizations of the private sector in tourism.

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**13.4.1 Indian Association of Tour Operators (IATO):**

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The Indian Association of Tour Operators (IATO) was established in 1981. The idea has been "to promote international understanding and goodwill to the ultimate advantage". A joint forum of tour operators, the association promotes and aids the development of tourism in India. This is done either directly or through discussions and meetings with other bodies and agencies.

The membership is open to organizations of good professional reputation and standing who have been connected with the tourism and/or travel industry for at least one year. However, there are certain other conditions also as per the category of membership.

**Membership:**

IATO has five categories of membership: Active, Allied, Associate, Overseas and Honorary. All its active members are recognized and approved by the Indian Government's Department of Tourism and have at least three years of experience of handing International Tourists to India, before being admitted to the IATO Fraternity.

**Active Member:**

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Eligibility for this category includes:

- a firm or company having an established place of business in India.
- recognized by the department of tourism as a tour operator/travel agent for a minimum period of one year, and
- its major substantial part of the activity of promotion of tourism and foreign exchange earnings in a year is minimum Rs. 10,00,000/-

**Allied Member:**

Any firm or company, which is regularly engaged or associated with the tourism and travel industry and is recognized by the state or central government or by their trade association such as carrier companies, hoteliers, caterers, excursion agents, transport contractors, forwarding and clearing agents, shipping companies, state tourist organizations and trade publications.

**Other Categories:** Other categories of members include Overseas Allied Members, Associate Members and Honorary Members.

**Aims:** To promote international understanding and goodwill to the ultimate advantage was the general objective of the establishment of IATO. All income of the association shall be utilized towards the promotion of the aims and objectives of IATO. The IATO main aims to:

- Promote national integration, international welfare and goodwill.
- To take all steps which may be necessary for promoting, encouraging and assisting in the development of tourism throughout the country and to take initiatives to secure the welfare of the tourism trade in all respects.
- To set up and maintain high ethical standards in the industry.
- To promote equal opportunities for all visitors to enjoy the tourism and travel facilities without distinction of race, colour, creed or nationality.

- To try to amicably settle the disputes of the members of this association by referring the disputes for settlement to a sub-committee to be constituted for such purpose by the executive committee.

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**13.4.2 Travel Agents Association of India (TAAI):**

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Travel Agents Association of India (TAAI) was established by a group of twelve leading travel agents in 1951, is perhaps the largest Travel Association of India. Now TAAI has got a staggering 2400 members under its banner to regulate the travel industry in India. Over the years, TAAI has earned the reputation as the voice of the Travel and Tourism industry in India by dint of their dedicated, dynamic and professional service. The primary purpose was to:

- Protect the interests of those engaged in the industry,
- Promote its orderly growth and development and
- Safeguard the travelling public from exploitation by unscrupulous and unreliable operators.

TAAI is a professional coordinating body consisting of various segments of the travel and tourism industry. It is recognised as the main representative body of the travel industry in India. It is a non-political, non-commercial and non-profit making body. It is very much aware of the unprecedented pace at which the travel industry is growing. Therefore, to keep a check on any unethical practices by the member agencies, TAAI has got a strict Code of Ethics that sets certain parameters for the members. These norms ask the travel agents and tour operators to maintain an honest and clear relation with the travellers with proper information on deals, schemes and monetary issues. Apart from the rapport with the travellers, TAAI makes sure that the members keep the spirit up with their Fellow Members and other Travel Agents.

**Objectives:**

The set of primary objectives for TAAI has been mentioned as:

- Apply superior technical skills to the job on hand.
- Deliver the highest quality of service.
- Act with responsibility within sound financial parameters.
- Build trust and credibility in the marketplace.
- Helping promote, maintain and stimulate the growth of travel and tourism in the country.
- Maintaining close contact with world bodies and representing matters affecting the travel and tourism industry of India.
- Educating and equipping members to meet future challenges through seminars, conventions and sharing of thoughts and experiences.
- Gathering and disseminating useful information on travel and tourism among members for their guidance.

The membership spot of TAAI is multi-faceted with Active, Allied and Associate members comprising of IATA accredited Travel Agencies, Airlines and General Sales Agencies, Hotels and Tour operators. The membership criteria for each category differs as the Active members (travel agent) need to be an IATA Agent; whereas the Inbound Tour Operators must be recognized by the Department of Tourism, Government of India.

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**Check Your Progress:**

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1. Discuss the role and functions of IATO.
2. Discuss the functions of TAAI.

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**13.5 Summary:**

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After completion of this unit, we have understood that The Indian Association of Tour Operators (IATO) works to promote international understanding and

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goodwill to the ultimate advantage. A joint forum of tour operators, the association promotes and aids the development of tourism in India. This is done either directly or through discussions and meetings with other bodies and agencies. And the membership is open to organizations of good professional reputation and standing who have been connected with the tourism and/or travel industry for at least one year. However, there are certain other conditions also as per the category of membership. In the case of TAAI on other hand the various functions performed by it are Apply superior technical skills to the job on hand, Deliver the highest quality of service, Act with responsibility within sound financial parameters, Build trust and credibility in the marketplace, Helping promote, maintain and stimulate the growth of travel and tourism in the country, Maintaining close contact with world bodies and representing matters affecting the travel and tourism industry of India, Educating and equipping members to meet future challenges through seminars, conventions and sharing of thoughts and experiences, Gathering and disseminating useful information on travel and tourism among members for their guidance.

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**13.6 Glossary:**

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- **Agent:** one who acts or has the power to act as the representative of another. Most frequently in travel anyone other than a principal, such as a retail travel agent, receiving agent, ticket agent, local operator or wholesaler.
- **Air Coupon:** One flight coupon that allows passengers to fly internationally on several airlines.
- **Infrastructural Facilities:** These include facilities like Airport, Roads, Drainage, and Buildings etc. at a destination.
- **Promotion:** All activities such as advertising, publicity, personal selling and public relations are carried out to enhance sales.



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- **Travel Agent:** An individual or a firm who is authorized by the airlines, hotels, etc. to enhance the sale of all travel-related services.
- **Tour Operator:** A company or a firm that designs tour packages and makes them available to customers through travel agents.

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### **13.7 Answer to check your progress**

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#### **Check Your Progress 1**

1. See Section 13.4.1
2. See Sections 13.4.2

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### **13.8 References:**

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- Bhatia, A.K.: International Tourism Management; Sterling Publishers Pvt. Ltd., New Delhi.
- IGNOU: Tourism As An Industry: New Delhi
- Mishra, L.K.: Basics of Tourism; Agrawal Publications, Agra
- Roday, Sunetra...et al: Tourism operations and management; Oxford University Press
- Sati and Kumar: Uttaranchal- Dilemma of Plenties and Scarcities; A Mittal Publications

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### **13.9 Suggested Readings:**

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- Rob Davidson: Tourism; London, 1983
- Roday, Sunetra.....et al: Tourism operations and management; Oxford University Press

**UNIT-14**  
**IATA AND WATA**

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**Structure:**

**14.0** Objectives

**14.1** Introduction

**14.2** History and Organization

**14.3** Security

**14.4** Tariff coordination process

**14.5** World Association of Travel Agencies (WATA)

**14.6** Summary

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**14.0 Objectives:**

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After reading this unit, you will be able to:

- Explain the role and importance of IATA and ICAO in the development of the Air Transport Industry;
- Familiarise yourself with various types of tourism organizations; and
- Discuss the functions and relevance of some of these organizations.

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**14.1 Introduction:**

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The International Air Transport Association-IATA is the world organization of scheduled airlines. Its members carry the bulk of the world's scheduled air traffic under the flags of over 100 nations. For the airlines, IATA provides machinery for finding joint solutions to problems beyond the resources of any single company. It has become how they knit their networks into a worldwide public services system, despite differences in languages, currencies, laws and measurements. Its secretariat is a pool of experience and information, and the administrator of many common services and enterprises.

For the governments, IATA furnishes a forum for developing industry-working standards and, as appropriate, coordinating international fares and rates. It provides the most practical way of drawing upon the experience and expertise of the airlines. It helps to carry out the fast and economical transport of international airmail and to make certain that the needs of commerce and the safety and convenience of the public are served. For the general public, IATA simplifies the travelling process. Thanks to airline cooperation through IATA, individual passengers can, by one telephone call and payment in a single currency, arrange journeys that may include many countries and the services of several scheduled airlines.

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**14.2 History and Organization:**

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IATA was founded by airlines in 1945 to meet the problems anticipated in the expansion of civil air services after the Second World War. It is the successor in function to the previous International Air Traffic Association, organized at The Hague at the very dawn of regular air transport in 1919. The aims of IATA are set down in its Articles of Association: to promote safe, regular and economical air transport for the benefit of the peoples of the world, to foster air commerce and to study the problems connected therewith, to provide means for collaboration among air transport enterprises engaged directly or indirectly in international air transport service, to cooperate with the International Civil Aviation Organization (ICAO) and other international organizations.

As an organization, IATA is voluntary, non-exclusive, non-political and democratic. Membership is automatically open to any operating company, which has been licensed to provide scheduled air service by a government eligible for membership in ICAO. Airlines engaged directly in international operations are Active Members, while domestic airlines are Associate Members.

All members are involved in Trade Association activities, while participation in the coordination of international fares and rates is optional. The basic trade association activities of IATA include such aspects as, technical, Medical, Legal, Security, procedures and administrative matters. All of the activities grouped under the heading of "Trade Association" support the very existence of an integrated worldwide system to the ultimate benefit both of the general public and of airlines, irrespective of whether they are members of IATA or not.

Management information, staff training, automation projects and finance services for airlines also form part of IATA's work.

IATA's contribution comes in only after governments have completed negotiating traffic and other rights (air service agreements) among themselves

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and have authorized airlines to perform such services. But from that point on, the activity of the association spreads through most phases of air transport operations. The basic source of authority in IATA is the Annual General Meeting in which all the Active Members have an equal vote. Year-round policy direction is provided by an elected Executive Committee (of airline Chief Executives) and its creative work is largely carried out by its traffic, Technical, Financial and Legal Committees. Coordination of fares and rates agreements is entrusted to the IATA Tariff Coordination Conferences, with separate meetings considering passenger and cargo matters. Members of IATA committees are nominated by individual airlines and, subject to the regulation and review of the Executive Committee, serve as experts on behalf of the entire industry. In the Tariff conferences, however, delegates act as representatives of their companies. While the Executive Committee fixes the terms of reference of these Conferences, their decisions are subject only to the review of governments and cannot be altered by any other part of the association. The association has two main offices, one in Montreal and the other in Geneva. Regional Directors are based in Singapore, Geneva, Buenos Aires, Beirut and Washington, and the Regional Technical Directors in Bangkok, Dakar, Geneva, London, Nairobi, and Rio de Janeiro. IATA's budget is financed from the dues paid by its members, largely in proportion to the part of the total international air traffic carried by each airline. Some of the activities are self-supporting through charges for services rendered.

IATA member airlines are registered in over 100 nations. Their routes across almost every country, IATA's operational task is to ensure that the aircraft utilized to carry the world's passengers and goods can operate with maximum safety and efficiency, under clearly defined and universally understood regulations. IATA's commercial objective is to ensure that people, cargo and mail can move on this vast global network as easily as if they were on a single airline

within a single country. These activities relate to the cost of airline operation and the prices carriers charge the public, plus the desire to keep both of these as low as possible, commensurate with safety. There is a constant and progressive effort to simplify and standardize procedures and documentation--within the airlines themselves, among governments and manufacturers, and in collaboration with other international organizations. The cooperation of the airlines in operational and technical matters is channelled through the IATA Technical Committee and it is various global and regional working groups. The Association's technical activity is founded upon the full exchange of information and experience among all the airlines. Out of this data, the airlines distil common requirements, which guide the standardization of their activities, determine their practical advice and assistance to governments, and act as a guide to future development in transport technology. IATA has played, and continues to play, an important role in the drafting of the ICAO standards and recommended practices, which comprise the technical regulation of civil aviation, and the association cooperates closely with ICAO to encourage governments to implement them fully and keep them up-to-date. The Association works in much the same way with their organizations such as the International Telecommunications Union, the World Meteorological Organization and the International Standards Organization.

Current activities can be grouped under seven broad headings: **Avionics and Telecommunications**, dealing with air-to-ground and ground-to-air communications, radio navigation and landing aids, all of which contribute to cost-efficient, on-time journeys. **Engineering and environment**, covering the latest technology, both onboard aircraft and on the ground, and also developing airline policy on important environmental issues including aircraft noise, aviation fuel standards and emissions from aircraft engines. **Airports**, with responsibility for defining IATA policy on airline requirements for airport

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terminals, the expansion of existing airports or the development of new ones. Since airlines are the prime users of such facilities, whose costs are in turn reflected in the price of an airline ticket, their objective is to ensure that no expenditure beyond that required for functional efficiency is incurred. **Flight operations**, including factors worldwide that affect the safe operation of aircraft, such as air traffic control systems, procedures for operating in low visibility, operational equipment to be provided at airports, and flight crew training, all with emphasis on greater effectiveness and cost control. Many millions of dollars are saved each year in fuel costs, and journey times shortened, by persuading authorities to allow airlines to fly the shortest possible routes between one point and another. **Medical**, encompassing the monitoring of health standards for flight crews, hygiene and sanitation in aircraft catering, and making air travel easier for disabled passengers. **Facilitation**, meaning simplification of bureaucratic procedures. The objective at airports worldwide is to reduce to the minimum time-consuming government formalities such as customs and immigration; speeding up the flow of inbound and outbound passenger and cargo traffic not only improves customer service by eliminating frustrating bottlenecks but also enhances airline productivity by saving time and money.

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**14.3 Security:**

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**Security**, one of IATA's most vital activities, is conducted relatively discreetly, for obvious reasons. While the public at large may think of security services as meaning only anti-hijacking measures, they also include the effort to counteract fraud and theft in a variety of forms. Activities are coordinated by the Security Advisory Committee, which groups them under Property Crimes (theft), Revenue Crimes (fraud) and Airport and Aircraft Protection (terrorism). The IATA security services work in close liaison with Interpol, local police forces, and

airport and airline staff. The Security Advisory Committee has sent teams to study equipment, layout and procedures at dozens of airports around the world.

The Legal committee of IATA, composed of experts in air law drawn from more than 20 airlines, is concerned with all legal matters having a bearing on international air transport. One of its main activities is the formation of the airlines' views in the development of international conventions affecting such matters as the liability of air carriers vis-à-vis their customers and other parties, the commission of offences on board aircraft, the carriage of potentially hazardous materials and the carriage of airmail. Another important side of the committee's work is the legal aspect of airline documents. Since the sale of a passenger ticket or the issue of a cargo waybill creates a contract between an airline and its customer, international airline documents must be effective under many different systems of law. The committee has prepared the legal foundation for the present system of uniform traffic documents and procedures that can be used throughout the worldwide network of IATA member's routes. New legal questions have been arising with the growing use of automated systems by the airlines, but these, too, are being resolved successfully.

The IATA financial committee deals with all aspects of accounting and settlements between airlines in respect of business they do with one another or on one another's behalf. It is also concerned with data collection and with many of the airline's common problems regarding currency and exchange, taxation charges, insurance and statistics. An outstanding example of the association's financial work is the IATA clearinghouse through which the airlines settle monthly accounts for interline revenue transactions. It enables them to collect and pay their worldwide debts simultaneously by single cash settlement in either dollars or convertible sterling, regardless of the number of national currencies involved. Clearinghouse operation began in January 1947. Since, then, the IATA

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clearing house's participation has broadened to include over 300 airlines--many of them not members of the association-- carrying out 12 billion dollars worth of transactions annually.

Interest in data collection was a direct consequence of the increased government involvement in civil aviation, particularly because of ICAO's need for statistical information. IATA and ICAO worked out an agreement to avoid unnecessary duplication. However, it soon became evident that member airlines had additional requirements for data collection, notably for market analysis and forecasting purposes, which are now being fulfilled. IATA has become active in several other fields, with the specific objective of saving money for the industry. A recent development has been the establishment of a captive insurance company for subscribing to airlines. International air transport creates special problems in the field of taxation. Although many tax conventions take account of the particular nature of the industry, IATA monitors developments to ensure that airlines are not unfairly taxed and to make representations to national authorities if necessary. There has been general acceptance of the free transferability of an airline's earnings back to its home country. However, economic difficulties in certain areas of the world during the past decade have caused shortages of hard currency and hampered such transfer of locally earned airline revenues. Currency remittance has thus become a priority of the IATA Financial Committee, and many missions have been undertaken to attempt to ease the situation. The association's financial activities also include the monitoring of "user charges" - the costs to airlines of using Enroute navigation and airport facilities. Frequent discussions are held with government and airport authorities to ensure that user charges are not excessive, that they are cost-justified and equitably applied. These discussions have helped control airline industry costs over the past decade.

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**14.4 Tariff Coordination Process:**

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The Tariff coordination process—the negotiation of international fares and rates for submission to governments—arises from the special nature of air transport. Any country in the world is accessible by air, and the airlines fly between most major cities over a maze of inter-related routes. Most governments reserve control over their airspace and what air carriers may charge the public. International fares and rates and the conditions, which underline them, are the subject of discussions in which virtually every country has some direct or indirect concern. However, participation in such activity by IATA member airlines is optional.

The tariff coordination framework is intended to provide considerable flexibility and since members used to respond quickly to market changes, provision has been made for them to introduce innovative passenger fares, or cargo rates rapidly without necessarily affecting other tariffs in their area of operation. Unlike most IATA activities, where consensus is the keyword, airline representatives attend tariff coordination meetings as independent agents for their companies. Compromise is desirable but in the final analysis, governments may need to resolve major disputes relating to passenger fares and cargo rates. Tariff coordination activities, which are within the purview of the traffic committee, are open to input from representative third parties and arrangements have been made for the presence at fares and rates meetings of observers from ICAO, national governments, and from regional organizations. Worldwide tariff coordination meetings (“Traffic Conferences”) are held as and when the members consider necessary, usually once a year. Meetings to review fares and passenger tariffs are normally held in the autumn, and those for matters involving air cargo in the spring. Special meetings can be held in the interim,

and action can be taken by mail vote, subject to the voting requirements and government approval.

Although tariff activities are the most visible of the various responsibilities concerning the traffic committee, they are not the only ones of considerable importance for the international air transport industry. Of crucial significance for the worldwide system is the whole series of standardization measures-- ticket format, air waybills and other documents, plus uniform procedures for passenger, baggage and cargo handling. These activities are grouped under the generic heading of "Traffic Services". The traffic services work falls into three main areas: Passenger Services, Cargo Services and Airport Handling. These combine to permit the world scheduled air transport system to handle about one billion passenger journeys annually.

Traffic services' most significant accomplishment has been the creation of the Multilateral Interline Traffic Agreements (MITA). These have integrated the routes of individual airlines into a coordinated world air network over which passengers, baggage and cargo can be carried, on very complex itineraries with a minimum of documentation. The International Air Transport Association worked closely with the US-based Air Transport Association (ATA) in developing MITA. More than 200 airlines belong to the agreements, accepting each other's passenger and cargo traffic, tickets and waybills on a routine basis. Today it normally takes only one telephone call to an airline or agent to obtain confirmed space aboard any flight. This is followed by the issue of a standard interline passenger ticket, permitting travel anywhere in the world, regardless of how many airlines participate in the carriage. This is made possible by extensive airline-owned communications networks run by individual carriers or special companies such as SITA ( Societe Internationale de Telecommunications Aeronautiques) and ARINC (Aeronautical Radio Inc.)

The emphasis of passenger services is on speeding travellers through airport terminals and on to their flights at the lowest possible cost, but with due regard to any individual requirements. Automation has already facilitated reservations, ticketing and the associated accounting procedures, but even greater progress can be expected in the years to come. The world's airlines have been carrying incapacitated passengers for many years. During this time, precise industry standards for the guidance of airlines, physicians and handicapped people themselves have been developed by the carriers to simplify matters as much as possible. The industry now handles over a billion pieces of checked baggage each year. Despite the development of elaborate mechanical systems, some baggage is still handled manually. From time to time some are mishandled and there are standard procedures for their tracing, including the IATA/SITA BAGTRAC system.

No airline can afford to set up sales offices in every city of the world and the air transport industry has traditionally relied on sales agents as intermediaries in the marketplace. Originally, there was a single worldwide agency programme run for the airlines by the IATA secretariat. Passenger sales agency and cargo sales agency activities were administered under two sets of rules, because of the differing nature of the two types of business.

The rules laid down the rights and obligations of both airlines and agents, as well as the procedures for agents seeking industry accreditation. Each agent was required to meet certain criteria relating to financial soundness, proficiency of staff and suitability of premises, particularly concerning security. Over the years, IATA has built up a working relationship with both UFTAA (Universal Federation of Travel Agents' Associations) and FIATA (International Federation of Freight Forwarders' Associations). As the commercial environment has evolved so has the agency programme. Procedures to simplify agent

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accreditation have been developed and conditions tailored to meet local requirements. In the United States of America, the classic agency rules involving accreditation have been replaced by a new system whereby intermediaries are registered on a central record for member airlines to use or not, depending on their commercial policy and judgment. In other areas of the world, the agency programme is being liberalized as the industry's competitive environment develops. During the next few years, Europe, Asia and Australia are all expected to modify the classic airline/agent relationship to varying degrees, without abandoning the basic principle of setting certain business criteria for agents.

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### **14.5 World Association of Travel Agencies (WATA):**

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The World Association of Travel Agencies (WATA) is an international body that seeks to improve and rationalize the international tourism industry. The history of WATA dates back to May 5th 1949 when several professional travel agents from France, Italy, Belgium and Switzerland joined hands to create WATA in Geneva. Since then, WATA has come up with new developments and has built a reputation to be envied of and an image to get awed by.

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#### **14.5.1 Mission:**

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The prime mission and objective of WATA are related to each other:

- To enhance the professionalism and profitability of member agents
- To sort out strategies that help cooperation
- To work on global networking to achieve uniform growth for the tourism industry

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#### **14.5.2 Who can be its Member:**

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WATA accepts membership requests of travel agents, tour operators and several other allied travel service providers who fill the membership criteria of the organization. Today, WATA has members from various countries like the USA,

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France, Germany, Italy, China, India, UAE, Russia and many more. All these members are committed to the highest standards of business ethics and quality of service to the travellers.

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**14.5.3 Industry Standards:**

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WATA is very much particular about the Code of Conduct that it shares with the members. The motive of WATA is to be a worldwide network of agencies with quality service that is unmatched. To ensure the fulfilment of this aim WATA implements several norms for the travel agents in dealing with the traveller, member to member interaction and member to WATA transactions. The General Assembly and the WATA Executive Committee are the two monitoring bodies.

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**Check Your Progress:**

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Answer the following questions.

1. Write a short note on IATA.

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2. What is the full form of ICAO?

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3. IATA member airlines are registered in over \_\_\_\_\_ nations.

4. The traffic services work falls into three main areas \_\_\_\_\_

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Cargo services and\_\_\_\_\_

Check your answer with the one given at the end of the unit.

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**14.6 Summary:**

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In fact, tourism industry has different constituents related to various services. Most of these constituents have their representative organizations. In tourism, we find organizations at the International and national levels in both private as well as public sectors. These organizations represent and help in coordinating certain services along with standardizing them.

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**Answers to Check Your Progress:**

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1. International Air Transport Association. It was founded in 1945.
2. International Civil Aviation Organisation.
3. 100
4. Passenger Services, Airport Handling

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**14.6 Suggested Readings:**

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- Bhatia, A.K. (1991). International Tourism Fundamentals and Practices, New Delhi, Sterling,.
- Kaul, R.N. (1992). The Dynamics of Tourism, New Delhi, Sterling.
- <http://www.hellotravel.com/associations/wata>

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**14.7 Review Questions:**

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1. Describe the aims and objectives of IATA.
2. Define the role of IATA and ICAO and their inter-relationship.
3. What has been the role and importance of IATA in developing the Air Transport Industry?

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**14.8 Glossary:**

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- **Infrastructural facilities:** These include facilities like airports, roads, drainage buildings etc, at a destination.
- **Interline:** Between two or more transportation lines.
- **Tariffs:** The published fares, rates, charges and or related conditions of carriage of a carrier.

## UNIT-15

### Thomas Cook and Cox & Kings

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**Structure:**

15.0 Objectives

15.1 Introduction

15.2 Thomas Cook: A Brief History

    15.2.1 Earlier Tours

    15.2.2 The Great Exhibitions

    15.2.3 Across the Channel

    15.2.4 Switzerland and Italy

    15.2.5 Hotel Coupons and Circular Notes

    15.2.6 Thomas Cook in Today's Scenario

15.3 Cox & Kings

15.4 Summary

15.5 Review Questions

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**15.6 Reference and Suggested Readings****15.7 Glossary**

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**15.0 Objectives:**

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After completing the present unit, the learners will understand:

- The glorious history of Thomas Cook and Cox & Kings
- The contribution of Thomas Cook and Cox & Kings in growth of tourism industry in World

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**15.1 Introduction:**

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Thomas Cook is the world's best-known name in travel, thanks to the inspiration and dedication of a single man. Thomas Cook began his international travel company in 1841, with a successful one-day rail excursion at a shilling a head from Leicester to Loughborough on 5 July. From these humble beginnings, Thomas Cook launched a whole new kind of company- devoted to helping Britons see 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 has subsidiaries in the United States, Canada, the United Kingdom, Netherlands, the United Arab Emirates, Japan, Singapore, Australia and New Zealand. It was declared bankrupt in 2020 and is undergoing bankruptcy proceedings under Indian Insolvency and Bankruptcy Code (IBC). During March 2021 the lenders to the Company moved National Company Law Tribunal after committee of creditors (CoC) voted in favour of liquidation with the requisite majority of more than 66%.

Cox & Kings Ltd. has operations spread across 22 countries and 4 continents.

Historically, Cox and Kings Ltd. has been an army agent, a travel agent, a printer and publisher. It has also worked as a news agent, cargo agent, ship-owner, banker, insurance agent, and dealer of several travel-related activities. Its core activities now include the sale of packaged holidays.

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**15.2 Thomas Cook: A Brief History:**

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On 9 June 1841, a 32-year old cabinet-maker named Thomas Cook walked from his home in Market Harborough to the nearby town of Leicester to attend a temperance meeting. A former Baptist preacher, Thomas Cook was a religious man who believed that most Victorian social problems were related to alcohol and that the lives of working people would be greatly improved if they drank less and became better educated. As he walked along the road to Leicester, he later recalled, 'the thought suddenly flashed across my mind as to the practicability of employing the great powers of railways and locomotion for the furtherance of this social reform'.

At the meeting, Thomas suggested that a special train be engaged to carry the temperance supporters of Leicester to a meeting in Loughborough about four

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weeks later. The proposal was received with such enthusiasm that, on the following day, Thomas submitted his idea to the secretary of the Midland Railway Company. A train was subsequently arranged, and on 5 July 1841, about 500 passengers have conveyed in open carriages the enormous distance of 12 miles and back for a shilling. The day was a great success and, as Thomas later recorded, 'thus was struck the keynote of my excursions, and the social idea grew upon me.

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**15.2.1 Earlier Tours:**

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During the next three summers, Thomas arranged a succession of trips between Leicester, Nottingham, Derby and Birmingham on behalf of local temperance societies and Sunday schools. Within these limits, many thousands of people experienced rail travel for the first time, and Thomas was able to lay the foundations of his future business. He later described this period as one of 'enthusiastic philanthropy' since, beyond the printing of posters and handbills, he had no financial interest in any of these early excursions.

Thomas Cook's first commercial venture took place in the summer of 1845 when he organised a trip to Liverpool. This was a far more ambitious project than anything he had previously attempted, and he made his preparations with great thoroughness. Not content with simply providing tickets at low prices - 15 shillings for first-class passengers and 10 shillings for the second. Thomas also investigated the route and published a handbook of the journey. This 60-page booklet was a forerunner of the modern holiday brochure.

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**15.2.2 The Great Exhibition:**

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By the end of 1850, having already visited Wales, Scotland and Ireland, Thomas Cook began to contemplate foreign trips to Europe, the United States and the Holy Land. Such thoughts had to be postponed, however, when Sir Joseph

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Paxton, architect of the Crystal Palace, persuaded Thomas to devote himself to bringing workers from Yorkshire and the Midlands to London for the Great Exhibition of 1851. This he did with great enthusiasm, rarely spending a night at home between June and October, and he even produced a newspaper, *Cook's Exhibition Herald and Excursion Advertiser*, to promote his tours. By the end of the season, Thomas had taken 150,000 people to London, his final trains to the Exhibition carrying 3,000 children from Leicester, Nottingham and Derby.

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**15.2.3 Across the Channel:**

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Thomas continued to expand his business in Britain, but he was determined to develop it in Europe too. In 1855 an International Exhibition was held in Paris for the first time and Thomas seized this opportunity by trying to persuade the companies commanding the Channel traffic to allow him concessions. They refused to work with him, however, and the only route he was able to use was the one between Harwich and Antwerp. This opened up the way for a grand circular tour to include Brussels, Cologne, the Rhine, Heidelberg, Baden-Baden, Strasbourg and Paris, returning to London via Le Havre or Dieppe. By this route, during the summer of 1855, Thomas escorted his first tourists to Europe.

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**15.2.4 Switzerland and Italy:**

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Thomas visited Switzerland for the first time in June 1863. Although this initial tour was little more than an information-gathering trip, a party of more than 60 ladies and gentlemen accompanied Thomas as far as Geneva. Among these pioneering tourists was a young woman called Jemima Morrell, who maintained a written account of each day's events. Her original diaries may be studied today in the Thomas Cook Archives. Thomas organised further trips to the Continent in 1863, and by the end of the season he had taken nearly 2000 tourists to Paris, some 500 of whom had continued to Switzerland. With the cooperation of the

Paris, Lyons and Mediterranean Railway, Thomas began to issue circular tickets (in both English and French) between Paris and the Alps. He then established the first circular tours of Switzerland, which were such an immediate success that he decided to extend his arrangements across the Alps. The first Italian tours took place in the summer of 1864 when Thomas escorted two large groups, one to Florence and parts of central Italy, the other to Rome and Naples. Coupons

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**15.2.5 Hotel Coupons and Circular Notes:**

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Thomas's travellers to Switzerland and Italy were from the growing middle classes and they expected better accommodation than his earlier working-class customers had. He, therefore, set out to negotiate with innkeepers and hotel proprietors to provide rooms and meals at good prices. His friendship with hoteliers, who were pleased to get his business, enabled Thomas to develop two important travel systems: one was the *hotel coupon*, launched in 1868, which travellers could use to pay for hotel accommodation and meals instead of using money; the other was his *circular note*, first issued in 1874 and a forerunner of the traveller's cheque, which enabled tourists to obtain local currency in exchange for a paper note issued by Thomas Cook.

**Beyond Europe:**

Building on his successes in Europe, Thomas made an exploratory trip to North America in 1865 and set up a system of tours covering 4,000 miles of railways. Four years later, in 1869, he hired two steamers and conducted his first party up the Nile. The climax of his career, however, came in September 1872 when, at the age of 63, he departed from Leicester on a tour of the world that would keep him away from home for almost eight months. It had long been his ambition to travel 'to Egypt via China', but such a trip only became practicable at the end of 1869 following the opening of the Suez Canal and the completion of a rail network linking the east and west coasts of America.

Thomas and his small party crossed the Atlantic by steamship and made their way through the United States from New York to San Francisco by rail. They travelled by Pacific steamer to Japan, then across the Inland Sea to China, and afterwards visited Singapore, Ceylon and India. Leaving Bombay, they crossed the Indian Ocean and the Red Sea to Cairo, from where most of the party travelled back to London. Thomas himself, however, set off on an extended tour of Egypt and Palestine, finally returning home via Turkey, Greece, Italy and France after an absence of 222 days. The conducted world tour quickly became an annual event, but many additional tickets were issued to independent travellers, some of whom went via Australia and New Zealand rather than China and Japan.

**John Mason Cook:**

While Thomas was travelling around the world, his son, John Mason Cook, completed the firm's move to a new head office at Ludgate Circus. However, father and son argued over certain aspects of the project and in 1878 their partnership ended. John was a better businessman than Thomas, and he set about expanding the company internationally. In an age when telegraphy was in its infancy and there were no telephones or fax machines, this was far from easy.

John created overseas editions of *The Excursionist*, the newspaper started by his father in 1851, to inform customers in places such as France, Germany, India, Australasia, America and the Far East about the services he offered. (This newspaper, which became known as *The Traveller's Gazette* in May 1902, continued to be published until 1939.) He also kept up a continuous stream of correspondence with his offices abroad, checking on their work and complaining if anything went wrong. Like many successful businessmen, John Mason Cook combined a flair for grasping business opportunities with a remarkable memory for small details.

**The Gordon Relief Expedition:**

In 1884 John Mason Cook was asked by the British Government to organise 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 whaleboats. To transport the coal from Tyneside to Boulac and Assiout via Alexandria, 28 large steamers and 6000 railway trucks were required. An additional 7000 railway trucks were needed for the military stores, while on the Nile 27 steamers and 650 sailing boats were used to carry the troops and supplies. John and his Egyptian managers acted as overseers of the entire operation, which relied on the labour of 5000 local men and boys, and completed their side of the contract in November 1884. Despite all the efforts, however, Khartoum fell in January 1885 and Gordon was killed.

**Frank, Ernest and Bert:**

Thomas and John Mason Cook both died during the 1890s and the business was inherited by John's three sons: Frank Henry, Ernest Edward and Thomas Albert ('Bert'). During the first quarter of the twentieth century - a period which saw the introduction of winter sports holidays, tours by motor car and commercial air travel - the firm of Thos Cook and Son dominated the world travel scene.

The company was incorporated as Thos Cook & Son Ltd in 1924, and in 1926 the headquarters moved from Ludgate Circus to Berkeley Street, Mayfair, a once aristocratic area that was now the centre of London society. Then, in 1928, the surviving grandsons, Frank and Ernest (Bert having died in 1914), unexpectedly sold the business to the Belgian *Compagnie Internationale des Wagons-Lits et des Grands Express Européens*, operators of most of Europe's luxury sleeping cars, including the *Orient Express*.

**From Wagons-Lits to British Railways:**

Shortly after the outbreak of World War II, the Wagons-Lits headquarters in Paris was seized by occupying forces, and Cook's British assets were requisitioned by the British Government. To save the company from complete financial collapse in its centenary year, a deal was brokered and, fittingly, the organisation was sold to Britain's four mainline railway companies. Thus Cook & Son Ltd settled its affairs with Wagons-Lits (which retained a 25% share in Cook's overseas) immediately after the war, and in 1948 the firm became state-owned as part of the nationalised British Railways.

**The Fifties and Sixties:**

Thomas Cook & Son Ltd benefited from the post-war holiday boom, which saw one million Britons travelling abroad by 1950. The company set up a Business Travel Service and refurbished its 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, its pre-eminence was now being challenged by new travel firms that were able to undercut Cook's prices and offer cheap package deals. In 1965 the company's net profits exceeded £1 million for the first time, but in an increasingly cut-throat marketplace, Thomas Cook began to fall behind its younger rivals.

**Beyond Europe:**

Building on his successes in Europe, Thomas made an exploratory trip to North America in 1865 and set up a system of tours covering 4,000 miles of railways. Four years later, in 1869, he hired two steamers and conducted his first party up the Nile. The climax of his career, however, came in September 1872 when, at the age of 63, he departed from Leicester on a tour of the world that would keep him away from home for almost eight months. It had long been his ambition to travel 'to Egypt via China', but such a trip only became practicable at the end of 1869

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**15.2.6 Thomas Cook in Today's Scenario:**

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Thomas Cook UK & Ireland is the second-largest leisure travel group in the UK with around 19,000 employees and is part of Thomas Cook Group plc ([www.thomascookgroup.com](http://www.thomascookgroup.com))

Thomas Cook UK & Ireland has a network of more than 800 high street stores (Thomas Cook and Going Places), a leading website ([www.thomascook.com](http://www.thomascook.com)) and some of the world's favourite travel brands.

These brands include Airtours, Club 18-30, Cresta, CruiseThomasCook, Direct Holidays, Elegant Resorts, Essential Travel, Flexibletrips, [flythomascook.com](http://flythomascook.com), Gold Medal, [hotels4u.com](http://hotels4u.com), Manos, Medhotels, Neilson, [Netflights.com](http://Netflights.com), Pure Luxury, Sentido, Style Holidays, Sunset, Sunworld Holidays Ireland, Swiss Travel Service, The Big Reunion, The Big Snow Festival, Thomas Cook, Thomas Cook Essentials, Thomas Cook Signature, Thomas Cook Tours and Thomas Cook Sport.

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The Company's airline, Thomas Cook Airlines, operates a fleet of 44 aircraft and flies from various regional airports to destinations worldwide.

Thomas Cook offers a range of financial services, including foreign exchange, the Thomas Cook Cash Passport (a prepaid currency card), the Thomas Cook Credit Card, the 'what's the rate' foreign currency app for Android phones and iPhones and a wide range of travel insurance policies. It is regulated for its travel insurance, which is underwritten by its insurance division, White Horse Insurance Ireland Ltd. Thomas Cook in the UK is the world's leading retailer of the Cash Passport prepaid currency card.

An Official Supporter of the London 2012 Olympic Games and Paralympic Games, Thomas Cook is the exclusive partner for UK short breaks and trips to the Games. Thomas Cook's London 2012 packages will go on sale in Spring 2011 and will include accommodation, transport and event tickets.

Its leading publishing division offers a comprehensive portfolio of more than 300 independently authored travel guidebooks to 150 worldwide destinations.

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### **15.3 Cox & Kings:**

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Cox & Kings is the longest established travel company in the world. Its distinguished history began in 1758 when it was appointed as general agents to the regiment of Foot Guards in India under the command of Lord Ligonier.

By 1878, C&K were agents for most British regiments posted overseas, including the Royal Cavalry, Artillery and Infantry, as well as the Royal Wagon Train and the Household Brigade. The Royal Navy was next and in 1912, The Royal Air Force came under its wings.

Between 1750's and 1950's, Cox & Kings was witness to an exciting era in Indian history, and, in its own way, helped to shape it. In 1947, the British administration departed, but bound by strong ties to India, Cox & Kings stayed on and flourished. Today, Cox & Kings is a premium brand in all travel related services

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like Destination Management, Outbound Tourism, Business Travel, Incentive & Conference Solutions, Domestic Holidays and Trade Fairs in the Indian subcontinent.

**Richard Cox, the founder:**

Cox was born in Yorkshire in 1718. His father had made a good living as a lawyer and had moved from his birthplace in Clent in Worcestershire to Yorkshire. He then bought an estate near Quarley in Hampshire. Richard Cox came into the service of a General, Lord Ligonier, as a clerk in the early 1740s. In 1747 he married Caroline Codrington, daughter of Sir William Codrington who was an established military figure.

Cox's career took off when Lord Ligonier led the Flanders campaigns of the War of the Austrian Succession. In one letter sent back to London, Richard Cox made a demand that "suitable winter provisions and housing should be made available for the three English companies" and he became entwined with logistics and the general welfare of the troops. Ligonier made Cox his private secretary in the late 1740s, went on to become the colonel of the First Foot Guards (Grenadier Guards) in 1757, and rewarded Cox with the post of "military agent" after the incumbent died in May 1758. Thus was born Cox & Co.<sup>[3]</sup>

There were about a dozen main agents working for the army at that time and each regimental colonel chose one to serve their troops. These agents arranged the payment of officers and men, organized the provision of clothing, acted as intermediaries for the buying and selling of officers' commissions and acted on any special requests from the regimental adjutant. Duties ranged from the shipment of personal effects to the requisition of weapons or supplies. Cox had taken on the most prestigious infantry regiment, and the 63rd Regiment and the Royal Artillery soon followed.

In 1765 Cox went into partnership with Henry Drummond, whose family ran the London bank. Cox & Drummond moved from Cox's house in Albemarle Street to Craig's Court, just off what is now Whitehall. By the mid-1760s Cox & Drummond had blossomed to become agents for the Dragoons and eight more Infantry regiments. Success was built on the company's reputation for keen attention to the welfare of its regiments. In 1763, for instance, when Robert Clive stormed the fortress of Gheria in India, Cox successfully negotiated with the East India Company who had "borrowed" stores from Cox's clients, the Royal Artillery. He arranged to receive repayment from the East India Company by way of plunder from Gheria. He had this converted into silver in India and shipped back to London where the funds were returned to the Royal Artillery. Back home, Cox's house on Albemarle Street (opposite the present-day Ritz Hotel) was known for its parties. In addition, he was a patron of the arts, being acquainted with David Garrick and other notable actors of the time, and was a founding financial investor in the rebuilding of the Theatre Royal in Drury Lane. He was also a generous benefactor to St George's Hospital on Hyde Park Corner (now the Lanesborough Hotel). The records of the family estate at Quarley show that Cox spent over £3,000 per annum running it, much of it lavished on his wife.

By 1768, Cox & Drummond were flourishing, with a turnover of £345,000 per annum. During the 1770s the company continued to grow, aided by war in the American Colonies and the threat of invasion from France. Cox repeated his good fortune with business partners, taking in Mr Mair upon Drummond's death in 1772, followed by his own son Richard Bethell Cox in 1779 and then Mr Greenwood in 1783. It was during this time that the company expanded its banking interests, offering loans and accounts to exclusive members of London's elite. Frederick, Duke of York, introduced Cox's business partner Greenwood to

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his father George III, as "Mr Greenwood, the gentlemen who keep my money". Greenwood replied rather cheekily that, "I think it is rather his Royal Highness who keeps my money", to which George III burst out in laughter and said, "Do you hear that Frederick? Do you hear that? You are the gentleman who keeps Mr Greenwood's money!"

The company was thriving by the time of the outbreak of war with France in 1793, employing some 35 clerks. In 1795 they served 14 regiments of cavalry, 64 infantry regiments, and 17 militia regiments, becoming the largest military agent for the army. Richard Cox died in August 1803, leaving his grandson Richard Henry Cox firmly established, with Greenwood as a controlling partner.

#### **Products and services:**

The various services offered by Cox & Kings are leisure travel – domestic (Bharat Deko), Duniya Deko (escorted overseas tours), FlexiHols (customised overseas tours), inbound and international, NRI (catering to Indians across the world), corporate travel, meetings, incentives, conferencing, exhibitions (MICE), trade fairs, visa processing, foreign exchange and luxury escapades (unique and luxurious travel).

#### **Leisure India**

- **Bharat Deko:** Cox & Kings Ltd, through its brand "Bharat Deko", offers its domestic packages. It also offers a range of products such as religious tours, education tours, spa holidays, budget holidays, summer and beach retreats, rail holidays etc.
- **Inbound:** Apart from domestic tourism, Cox & Kings Ltd. also offers various travel services to inbound tourists, such as, hotel bookings, air/rail ticketing, roundtrip, airport transfer, land arrangements, excursion planning, event planning, meetings and appointment and private air charter among others.

- **Outbound Tours:** The company has a wide range of package tours for overseas travellers.

Cox & Kings operates Leisure International through its subsidiaries in the UK, Dubai, Japan, Australia, New Zealand, United Arab Emirates, United States, the Netherlands, Singapore and Canada.

Since 2016, Cox & Kings has been consistently adding products that cater to niche audiences. Some of these include Trip 360° (adventure trips), Getaway Goddess (women-only tours), Tour to Feast (culinary holidays) and Enable Travel (holidays for the disabled).

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**15.4 Summary:**

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After completion of Unit-15, we have now understood about the two oldest travel agencies in the world. In the case of Thomas Cook which is the world's best-known name in travel, thanks to the inspiration and dedication of a single man. Thomas Cook began his international travel company in 1841, with a successful one-day rail excursion at a shilling a head from Leicester to Loughborough on 5 July. From these humble beginnings, Thomas Cook launched a whole new kind of company-devoted to helping Britons see the world.

View key dates of Thomas Cook history. Whereas, in case of Cox & Kings which is the longest established travel company in the world. Its distinguished history began in 1758 when it was appointed as general agents to the regiment of Foot Guards in India under the command of Lord Ligonier. By 1878, C&K were agents for most British regiments posted overseas, including the Royal Cavalry, Artillery and Infantry, as well as the Royal Wagon Train and the Household Brigade. The Royal Navy was next and in 1912, The Royal Air Force came under its wings

and the key operations of the C & K are Destination Management  
Outbound Tourism, Business Travel, Incentive & Conference Solutions  
Domestic Holidays, Trade Fairs, Foreign exchange and insurance etc.

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**15.5 Review Questions:**

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- **Discuss the contribution of Thomas Cook in tourism industry of India:**

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- **Differentiate between Thomas Cook and Cox & Kings:**

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**15.7 Glossary:**

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- **Tour:** A travel for leisure and pleasure
- **Travel Agency:** A company that offers single component or combined tour package to its customers