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# Evolution of Travel Agency

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Unit 1

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# Travel/Tourism as a business

## S O H M T

- *Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”*
- Agglomeration of various of various segments of travel economy are undertaken and produced as complete travel product to potential consumer segment and profits are retained thereby considering consumer satisfaction

# S O H M T

- Tourism industry therefore can be defined as the set of industries which facilitate by providing infrastructure and products and services and make possible travelling for different purposes and travelling to places of leisure and business interests. Tourism industry is all about providing necessary means to assist tourists throughout their travelling.
- There are two ways to look at the definition of tourism industry, demand side and supply side.

- By the definition of tourism, it is an activity of tourists or people travelling for some purpose and it includes all the things they do during their travel. This way tourism as industry becomes the sum of all the products and services consumed or used by tourists which directly and indirectly support their tourism activity. This way, travel bookings, transportation, hotel stay, food, destination visits, etc., all become part of tourism.
- The *supply side* is just looking at the other side of this. So, the supply side tourism industry definition is the sum of all the industries which provide all the products and services which make directly and indirectly help tourists in their travel and make it possible for people to travel and do tourism activity.

# Tourism industry value chain

## S O H M T

- As we understood that the industry of tourism operates through a vast network of inter-connected and related industries as well as other ancillary industries which aim to serve the tourists and people on travel for different purposes.
- Tourism industry value chain is very large. This value chain of tourism industry is or can be elastic and flexible and can also be much larger and widespread.
- The broad value chain of tourism comprises of travel and tour services like booking and reservation; transportation industry (international and national travel and transportation); accommodation; hospitality industry; food & beverages; tourism products and destinations and related products and services; local travel and transportation.



- **Tourism Industry Supply Chain features and characteristics**

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- Is flexible & expandable
- Widespread across industries and sectors
- Can go deep at many points within an industry or sector
- Covers tourism natured and similar types of industries
- Covers many different industries remotely related to tourism
- Also (may) cover many more industries not related to tourism and therefore not a direct part of tourism industry
- Many points and parts of this value chain become a complete and expandable value chain in themselves depending upon the type of tourism and its needs

# S O H M T

- Running a success tourism business relies upon:
  - i. researched about tourism markets and available competitors
  - ii. Willingness (to work for long hour)
  - iii. Permit / approval from authorized bodies like IATA, UFTAA
  - iv. Financial resources
  - v. Business plan, including marketing plan and budget etc.

# History

- In 1758, **Cox & Kings** became the first travel agency in modern history.
- The origin started from the appointment for making arrangements of auxiliary services to the First Foot Guards as Regimental Agent.
- Richard Cox worked under the mentor of Colonel Lord Ligonier for providing necessary services to the Army Officers in the overseas.
- The Company became the most reliable military agents for British Government. In the subsequent period, business got expanded to banking, shipping and tour operation business.





# S O H M T

- Cox & Kings was renamed as the Eastern Carrying Company Limited as per the Indian Companies Act, VII of 1913.
- Fortunately, the company got back its generic name as Cox & Kings in 1950.
- It was registered as Private Limited Company in 2001 and an enlisted company of National Stock Exchange of India. It is a premium brand in offering all travel related services in the Indian subcontinent.

# History

## S O H M T

- In the year 1822, Robert Smart who hails from Bristol, England, has declared himself as the first steamship agent of all time. His first operation was booking passengers on steamers to various ports in Bristol Channel and Dublin, Ireland.
- During 1841, Thomas Cook embarked on a special train from Leicester to Loughborough (England).
- The train trip was a 12-mile journey. After the success of the first train tour, on the same year on 5th January, Thomas Cook has arranged a train which carried 570 passengers on a round trip.

# S O H M T

- In 1943, he organized a trip from Leicester to Derby in England; on this tour he carries 3000 school children. During this year, it was the largest group tour.
- Therefore, Cook was the first representative of a train travel agent. Since then, Thomas Cook's idea has alarmed and his effort to organized a train tour spread across the world.
- Cook continued to provide a train tour and later expanded his concept to the United States and around the world.

- In 1845, he set up a '**World's First Travel Agency**' to organize excursions. Due to this innovative approach, **Mr. Thomas Cook** is known as the **Father of Travel Agency Business**. He co-ordinated railway and steamship excursions throughout England, Scotland and Europe.
- However, the railways only gave him 5% commission which was not enough to meet his overheads, so he decided to diversify this business into tour operation.
- In 1855 Mr. Cook started operating package tours. He conducted the **world's first international tour** from England to the Paris.

# S O H M T

- With John A Mason Cook, he formed a partnership and renamed the travel agency as Thomas Cook and Son.
- Their business model was refined by the introduction of the 'hotel coupon' in 1866.
- In 1865, the agency organized tours of the United States, picking up passengers from several departure points.
- Thomas Cook introduced 'circular notes', a product that later became better known by American Express's brand, 'traveller's cheques'
- The firm's growth was consolidated by John Mason Cook and his two sons

# S O H M T

- The industry suffered during World War II. However, the Post—World War II economic expansion in mass-market package tours resulted in the proliferation of travel agencies catering to the working class.
- In the early 1980s, American Airlines' Sabre unit created a direct-to-consumer booking tool for flights, hotels and cars called eAAsySabre.
- In 1991, Hotel Reservations Network, the precursor of Hotels.com, was founded. At first, hotels did not pay much in commissions



# S O H M T

- In 1995, Internet Travel Network sold the first airline ticket via the World Wide Web.
- In October 1996, Expedia.com, funded with hundreds of millions of dollars by Microsoft launched as the first large online travel agency.
- At the same time, Cheapflights started as a listing service for flight deals from consolidators

# S O H M T

- In 2008, the launch of Airbnb created an online marketplace for spare bedrooms and apartments.
- In 2011, the launch of HotelTonight highlighted instantaneous same-day hotel room booking





# History of travel agency in India

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



# S O H M T

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

# Travel agency

## S O H M T

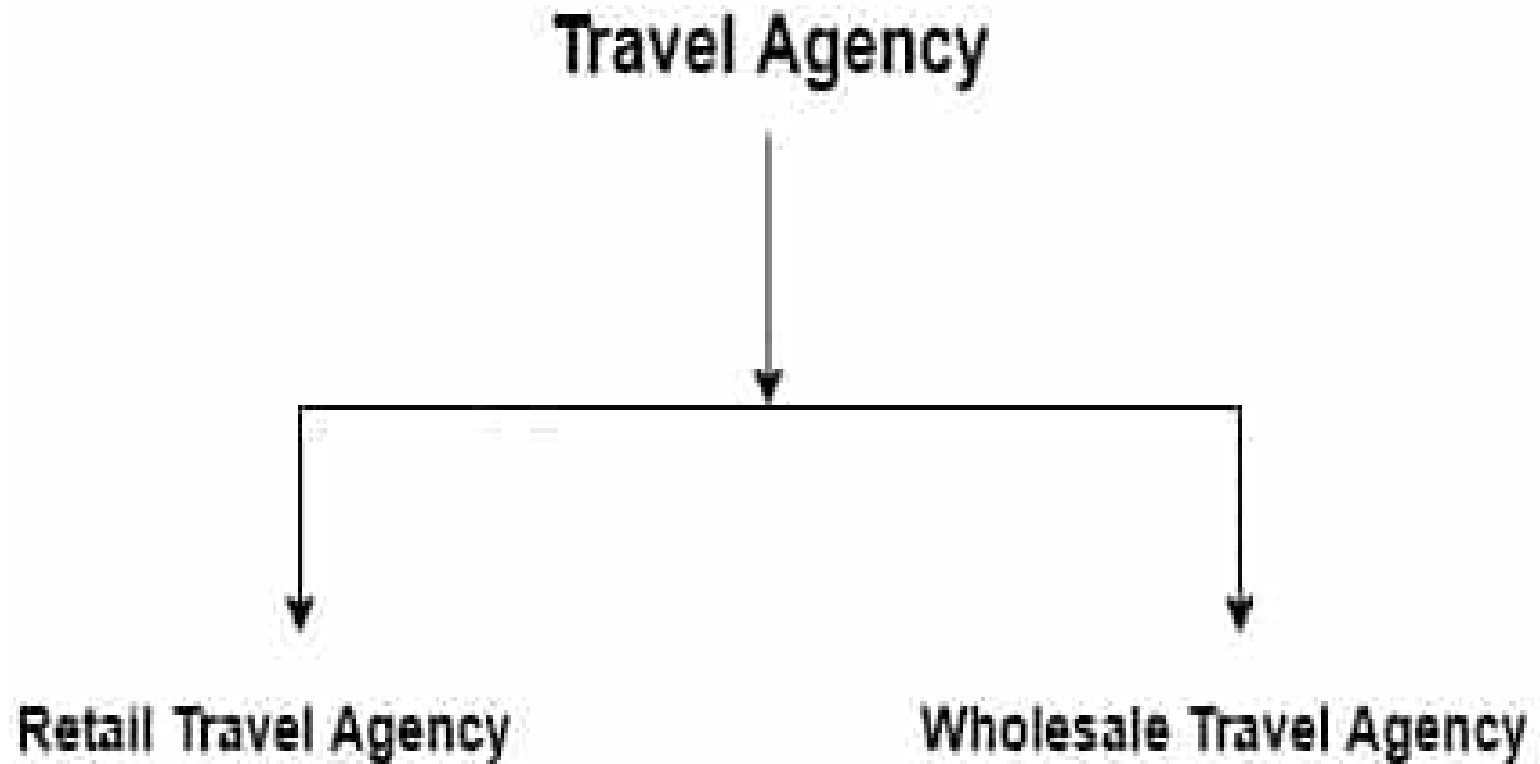
- **Travel agent** is a person who has a full knowledge about tourists product – destinations, modes of travel, climate, accommodation and other areas of the service sector. He acts on the behalf of product providers/principles and in return get a commission.
- Technically, a travel agent is an **owner or manager** of an agency, but other employees are responsible for advising tourists and selling packages tours/individual components of travel products.

- A travel agent may be an individual / firm or corporation which is commonly known as a **travel agency**.
- An agency means the office of travel agent or organization where all travel goods and services are assembled and coordinated for the smooth conduct of travel agency business.
- Travel agency is one of the most important organization in the tourism private sector which plays a significant and crucial role in the entire process of developing and promoting tourism in the country or at a destination.

# S O H M T

- It is a travel agency which packages and processes all the attractions, accesses, amenities and ancillary services of a country and present them to tourists. That's why travel agency is known as 'image builder' of a country.
- A prospective travel agency is one which makes arrangements of travel tickets (air, rail, road, and sea); travel documents (passports, visa and other documents required to travel); accommodation, entertainment, and other travel-related services from principle suppliers.
- It may also secure travel insurance, foreign currency for traveling people.

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- **Retail Travel Agency**
- A retail travel agency sells tourists products directly to the public on the behalf of the products suppliers and in return get commissions. Some package tour is sold in two ways i.e., on a commission basis and mark up the price.
- Retail travel agency business consists of the activities involved in selling tourism products/services directly to the tourists and performs normal functions such as issuing air tickets, making accommodation and transportation reservation, providing specialized services, and accepting and making payments.”



# S O H M T

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



# S O H M T

- Sometimes, a wholesale travel agency buys travel components from the vendor in bulk and resell them to another travel business originations.
- Wholesale travel agencies assemble package holidays and sell them to the clients through retail travel agencies. A typical package tour includes – air tickets, accommodation, and something other services may also be included in it such as entertainment, sightseeing, and sports activities etc.



# Difference between Wholesale Travel Agencies and Tour operators

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- Wholesale travel agency does not sell directly to the public, while tour operators do sell directly to clients.
- Wholesale travel agencies are less inclined than tour operators to perform ground services i.e. handling agency or ground operators.
- A wholesale travel agency may deal with one component of travel product while a tour operator offers a variety of tour programmes.
- The size of the business is large in the case of tour operators in comparison to a wholesale travel agency.

# Functions of Tour Operator

- **Planning a Tour**
- The most important functions of the tour operators are planning a tour. Tour operators plan a tour and make tour itinerary which contains the identification of the origin, destination and all the stopping point in a traveler's tours. A prospective tour operator also gives advice to intending tourists in various types of tour programmes, which they may choose for their leisure or commercial travel.

- **Making Tour Package**
- Tour operator buys individual travel components, separately from their suppliers and combines them into a package tour. Tour operators make tour packages by assembling various travel components into a final product that is called a tour package which is sold to tourists with its own price tag. Making tour packages is also an important function of a Tour Operator.

- **Arranging a Tour**
- Tour operators make tour package and also arrange a tour according to tourist demands. Tour operators arrange the tour package and various tourists activities to provide the best experience to tourists/traveler.

- **Travel Information**
- Whatever the size of tour operators, it has provided necessary travel information to the tourists. This task is utterly difficult and very complicated. A tour operator must give up-to-date, accurate and timely information regarding destinations, modes of travel, accommodation, sightseeing, immigration, health and security rules about various permits required to travel in a particular area etc.

- **Reservation**
- It is a very important function of all type tour operators and travel agencies. Tour operator makes all the reservation by making linkages with accommodation sector, transport sector and other entertainment organizations to reserve rooms, and seats in cultural programmes and transportation.

- **Travel Management**
- Tour operators manage tour from beginning to the end of the tour. A tour operator has the responsibility to look after the finer details of a vacation or tour such as hotel, accommodation, meals, conveyance etc. Tour operators provide travel guide, escorting services and arrange all travel related needs and wants.



- **Evaluate the Option Available**
- Tour operators evaluate all available options to provide a unique or unforgettable travel experience to tourists during their journey. Tour operators evaluate the various options available for a tour package and provide best of them to tourists.

- **Promotion**
- Tour Operators makes tour packages and promote them into various tourists markets at domestic as well international level. Tour operators promote a travel destination to attract a large group of tourists at domestic as well as international level. In the promotion of tourist destination, tour operators play a key role. Travel agencies or tour operators are called as *image builder* of a country.

- **Sales and Marketing**
- Tour operators do sales and marketing of tourist products. Tour operators buy individual travel components, separately and combine them into a tour package, which is sold with their own price tag to the public directly. Tour operators do marketing of tourist destinations and tourism product to attracts the attention of the tourists/travelers.

# Organizational structure

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**Tour Operation  
Company**

**Designing**

**Operations**

**Services**

**Marketing**

**Packaging**

**Travel Advise on  
Immigration/Passport**

**Accommodation  
Services**

**Leisure Package**

**Holiday / Business/  
Corporate Packages**

**Ground Handling  
Agencies**

**Excursion Agents**

**Transport/  
Entertainment/ Event  
Services**

**Industry Linkages**

**Escort/Manager/Tour  
Guide Services**

**Customized Packages**