Chapter 4

Travel & Tourism: An Introduction
Chapter 4

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The concept of Tourism and Tourist:

Tourism was and still entertainment mean through which people can get rid of the routine of work and enjoy their leisure between warm nature’s laps far away from the hustle and bustle of life and routine of the daily work, so many people travel to change their psychological condition and return to their works with renewed energies and this is what has become known as incentives tourism granted to employees by the administration. Tourism is the element of adventure, exploration of new countries and different people in everything as human feels curious and eager to learn all new about life, nature, and people, but tourism is no longer just a means of adventure, recreation, and exploration; tourism has become an industry itself represents a major tributary of the tributaries of the economy strengthens the gross domestic product (GDP), provides job opportunities for young people as many states recruit its citizens in tourist facilities and various functions relating to the service of tourists, such as function of the tourist guiding, functions of tourism promotion and so on. In some tourist countries, hundreds of thousands of qualified and trained youngs have been recruited in travel and tourism industry as tourism is very intensive labor industry. Tourism distributes income among the regions of the country and involves the local population in tourism development projects and many countries depend on tourism as a main tributary of the national economy. Tourism is considered as a marketing tool for civilizations and cultures of the tourist destination, because tourists convey the cultural values of the visited country to their own countries and more the country contributes to the humanitarian civilization, more strongly stands in the competitive world of tourism.

Since human knew the life, started traveling and moving to fulfill his/her needs of food and drink and to achieve the desire for security and stability, free from the constraints of the environment and seeking, with full curiosity, exploration and looking for science and knowledge. This traveling became a humanistic, social and cultural phenomenon and an integrated industry plays a pivotal role in the national economy of many countries of the world as the first economic resource and as one of the top 5 economic resources of some states. As tourism is an exporting industry without chimneys being intensive employment sector, many developed and developing countries relied on it to achieve economic and social progress and well-being for their peoples, and as tourism has become an independent industry, it became also an independent science and there became noted universities and prestigious schools teach tourism in different educational stages leading to higher degrees.
The difference between tourist, traveler and excursionist, definitions of tourism and more about tourism concept will be discussed in the next items.

Tourism means human transmission from native or permanent residence to another State/territory, or another tourist destination, for a particular purpose based primarily on spending of leisure time temporarily during a period of time that neither less than twenty-four hours nor exceeds twelve months. Any move in this case not with a view to migration for long residence or rewarding work.

**Tourism Definition:** One of the most known definitions of tourism and the oldest definition given by Guyer Freuller 1905 who defined tourism as: "tourism represents a phenomenon resulting from the need of cumbersome human, due to modern life pressure, of comfort, pleasure, and change" (Latif,1994), but this definition did not mention tourism as an industry or economic activity. It can be said that the definition of (Hunziker,1994) is a relatively comprehensive as it referred to the comprehensive relations and phenomenon emerging from travel and stay of foreigners in the destination and as it is not confined to the economic, cultural or social concept, besides its emphasis to that residence period must not be linked to earnings when he stated that “Tourism is the sum of the phenomenon and relationships arising from travel and stay of non -residents, insofar as they do not lead to permanent residence and are not connected with any earning activity”. This definition is consistent with the definition of the travel and tourism conference organized by the United Nations in Rome 1963 which defined tourism as "A humanitarian phenomenon based on the movement of individual from permanent residence to another place for a temporary period of at least twenty-four hours and not more than twelve months for the purpose of leisure tourism, medical or historical. And tourism as a bird has two wings are outbound tourism and inbound tourism".

Through the United Nations Organization’s definition represented by the World Tourism Organization, the term “Tourism” is not confined only to travel for leisure as it is known to many people, but for any purpose other than permanent residence and earnings as long as travel is in a period of not less than 24 hours and no longer than a year and as evidenced by previous definitions, tourism cannot be limited to international travel but also travel within a state or territory as a tourist stays at least one night in place of the visit.
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The elements of time, place and purpose of the visit distinguish the person who travels in a time period of more than 24 hours and less than a year to visit major destination outside the habitual residence and the purpose of the visit is not earning and not permanent residence, is a tourist.

**Tourist definition:** Tourist is “a person who visits a main destination outside the habitual residence for any main purpose such as Entertainment, leisure, holidays, education, health, business etc.” (UNWTO 2010). This definition offers a much broader concept than the traditional concept of tourist that includes only those who travel for leisure.

Tourist is different from tourist visitor, excursionist and transit visitor; any person travels into his/her country for the purpose of entertainment and leisure for less than 24 hours, is a tourist visitor, anyone who travels for less than 24 hours for the purpose of entertainment and recreation in a country other than the country where he/she permanently resides and doesn’t perform any income-generating occupation is an excursionist, a person who travels in another country for less than 24 hours and not for any tourist purpose is a transit visitor (Lickorish, 1953)

**Types / Forms of Tourism:**

As the tourism is a dynamic activity, tourism definitions did not confined it in leisure or entertainment, making the door open to a multiplicity of forms of tourism until world knew the modern touristic types such as conference tourism, adventure tourism, incentive tourism, special interest tourism and it is expected to include new tourism paradigms based on the steady scientific and cultural progress and that tourism is a broad horizon human activity, colored with the colors of human life that is full of excitement, pleasure, surprise and creativity. Tourist literature divided tourism based on the purpose of the visit, the geographic location, number of travelers, age, sex, social class, and means of transport. However, it is worth mentioning that the purpose of travel is the main base according to which forms of tourism and hospitality establishments are varied. Thus, the types of tourism can be discussed as follows:
• **Leisure Tourism:**

Most of the worldwide tourists travel for the purpose of leisure by visiting natural sites and clean environments that are untouched by pollution as green areas, seashores, and mountains. Because of a multiplicity of places of leisure tourism, various types and forms of tourism emerged like: mountain tourism, desert tourism, business tourism, yachting tourism. This type of tourism represents 53% of international tourism arrival (ITA) according to 2014 census. *(UNWTO, 2014)*

• **Cultural Tourism:**

Attracts people who love traveling to develop their cultural knowledge and be aware of the diverse cultural heritage of the peoples. Despite the great cultural attractions in the world, this type of tourism doesn’t attract huge numbers of tourists.

• **Religious Tourism:**

Religious tourism is one of the oldest forms of tourism that the world has ever known and linked to visiting holy places for religious practice or spiritual healing, and the people travel to spread religion and advocacy come also under this form of tourism. Mecca is considered a form of religious destination for Muslims as well as the resting places of imams in Iraq, Iran and other Islamic countries. For Christians, the famous religious tourist destination is the Vatican. Religious tourism represents along with medical tourism, visiting friends and relatives and some other tourist paradigms around 27% international tourism arrivals for the year 2014. See chart (4.1).

• **Medical Tourism:**

It is one of the traditional purposes of tourism that started since middle eras and includes travel for treatment in places of natural sulphuric mineral water or treatment in modern hospitals. The characteristic of medical tourism is the relatively length of the tourist’s stay in comparison to other tourist types.

• **Sports Tourism:**

Sports Tourism includes travel to participate in sporting events or to enjoy watching these events. Because of the multiple sports activities, several types of tourism have
emerged from sports tourism as camel racing, car racing, water skiing, scuba diving, yachting etc., which may fall under the special interest tourism or adventure tourism. Sports tourism requires good infrastructure and Spain is a model for such a type.

- **Exhibitions Tourism:**

It is one of the modern tourist forms that have emerged recently as a result of the development of economic and trade relations between states and increased competition between businesses searching for new channels for marketing and promotion of their products and services. Tourism and travel salons and international tourism expositions are the main types of exhibition tourism.

- **Conference Tourism:**

Conference Tourism is also one of the most modern tourist types exploited by those with advanced infrastructure and organizational capacity in highlighting the bright cultural face of their country. Tours for participating delegates in conferences are organized in order to make them familiar with the elements of tourist attractions and temptations in the intending visited country/destination.

- **Business Tourism:**

This form is one the most modern types of tourism includes business travel for business purposes such as opening new branches of an organization, meeting executives in regions and sectors, finding new markets, attending economic and business events etc.. This type of tourism contributes 14% of international tourism arrivals globally as indicated in the chart no (4.1).

In addition to special interest tourism and modern tourist forms such as desert tourism, space tourism, golf tourism, yachting tourism, safaris, shopping tourism, time participate tourism etc...

Tourism according to nationality and Geographical region can be classified to:

- **Domestic Tourism:** It includes people who only travel in their own country they carry its nationality.

- **Inbound Tourism:** It refers to the foreigners travel within the visiting/destination tourist country.
- **Outbound Tourism**: National residents travel abroad outside of their own country.

- **Internal Tourism**: It includes residents who travel within their own country and foreigners who travel in the same destination country.

- **National Tourism**: National tourism means the national residents who travel both inside and outside of their own country.

- **International Tourism**: National residents travel abroad and foreigners visit the intending country.

![Chart 4.1: Types of Tourism Representativeness Globally](chart.png)


**Travel and Tourism Industry**

The travel and tourism industry is wide and compound industry characterized by multiple contributors to provide products and services that together constitute the tourism product or the complete tourist trip. Thus, tourism is labor-intensive industry by generating employment within the tourism industry itself or in industries and other sectors that provide tourism with production’s requirements. The dollar spent by a
tourist, in the tourist income shall not be considered for the tourist facility/ enterprise only, but extends to other associated tourist establishments as well as other industries that are related to tourism industry. Tourism as an industry and as an organized economic activity includes a set of components or subsidiary industries which provide basic and ancillary tourist services in addition to the elements of natural and man-made attractions. The following are the most important components of the travel and tourism industry:

- **Attractions**

Intended for all the attractions or tourist infrastructure and temptations that exist in the destination and divided into two parts; the elements of natural attractions that include green landscapes, seas, rivers, mountains, deserts, forests and other constituents of the attractions which the Almighty created, and elements of man-made attractions represented in all human cultural heritage in worshiping buildings, forts, palaces, museums and centers of education and all that correlate as habits, traditions, rituals and various humanitarian activities in different social and religious events. All these elements of the attractions led to the emergence of multiple tourist types such as: mountain tourism, desert tourism, cultural tourism, religious tourism and other modern tourist forms such as adventure tourism, and safari tourism. Such tourist attractions, if don’t constitute tourist types in themselves, it provide the basic foundation upon which the tourism industry can be established.

- **Accessibility**

Elements of the tourist attractions remain a mere of tourist potentials unless there are means and routes of tourism transportation and accessibility through which tourists can be transported to the intending tourist destination. Now it can be said that the huge development in air, land and sea transport in terms of capacity, speed, service, and fares, has been accompanied by a parallel development in the travel and tourism industry through the several options that transportation provides to tourists. Such variety of transportation means forms the correlation relationship between tourism and transportation; whenever means of transport improve, the number of tourists increases and the steadily increased number of tourists enable transport companies to invest this service and develop their services too.
• **Hospitality**

Hospitality is a subset industry within the tourism industry and includes two aspects: accommodation and catering which tourism industry is impossible without. The tourist must stay in the touristic destination at least one night otherwise, he/she is considered as a tourist visitor or an excursionist. When the tourist arrives in the given tourist destination, he/she firstly look for a meal and relaxing accommodation that, of course, commensurate to need, desire and ability to pay. Accommodation establishments such as hotels are no longer just a place for sleeping or eating and drinking, but have become a separate industry which includes almost all of what needed by tourists/guests and as integrated services cities leading to long stay of tourists in hotels and increased spending which may exceed 40% of the total tourist spending on a tourist trip. There are specialized hotels that vary according to the purpose of the visit such as business hotels, therapeutic hotels, and hotels for conferences and meetings. For restaurants and catering centers, chains restaurants emerged and spread across its branches in many places in the world providing services for international tourists as international tourists prefer famous brand restaurants that they actually tried their services in their own countries or in any other country visited before.

• **Travel Trade**

Travel trade might be taken as an independent industry, but it is a part of the composition of the tourism industry. It includes various transport companies and travel agencies that provide transportation service and other accompanying services individually or through wholesaler travel agents. This will be discussed in detail within the functions of travel and tourism agencies.

• **Recreation and Adventure Tourism**

Mostly, the tourist doesn’t only reach the desired destination, stays in a hotel and enjoys its services, and achieves the main purpose of the trip that might be business tourism, conference tourism, sport tourism etc., but goes under a minimized program, at least, to practice some outdoor activities. In theory, and according to the definitions of tourism, it does not necessary that tourism trip includes entertainment or adventure to be named as a tourist trip, but in practice how a devoid of excitement, entertainment, fun, and surprising trip being a tourism?!. Recreation and adventure
tourism has become one of the fastest-growing tourism types (Skift.com, 2014), so some tourist literature considered it as a separate industry. Entertainment includes many events such as music, dance, theatres, shopping, galleries etc. and adventure tourism includes many sports such as rock climbing, mountaineering, backpacking, sailing, scuba diving, sea kayaking, whitewater and flat water canoeing and variety of other adventure activities.

- **Conferences and Events**

Conferences and events are an important component of the tourism industry, whether the educational or professional purpose and also known as one of the modern tourist types called (MICE) which stands for (meetings, incentives, conferences, and events). Incentive tourism incentives emerged in America where the distinctive employee is granted a paid vacation and an international tourist trip for his/her distinctive accomplishment. The purpose of incentive tourism is purely entertainment other than a meeting, conference and event tourism which has an educational or professional purpose (Wikipedia.org).

**Characteristics of Tourist Services**

Tourism establishments provide a tourist product which is an amalgam of goods and services. For example, travel agency sales an integrated tourist trip that is known as package tour or tourists can buy partial travel services offered by tourist service providers individually. Anyhow, the tourist product is different from the commodity products offered by businesses and also different from services provided by the various service organizations in view of the nature of intangibility, perishability, heterogeneity, inseparability and other characteristics of tourism product that make the task of achieving customer satisfaction extremely difficult and increase the importance of the role that the human resources can play in tourism industry. The most important features of tourist services can be discussed as follows:

- **Perishability**

Tourist services, as perishable services, mean that it cannot be stored until the following day. Hotel rooms and seats in the aircraft must be used on the same particular day, otherwise, they cause loss that cannot be compensated for the hotel or
airline, this loss is the expected revenue which was not collected on that particular day especially if we know that the fixed costs in tourism service businesses are high. This perishability characteristic imposes on tourism and hotel enterprises to sell their services at the planned time in order to achieve better sales and profitability (Lovelock, 1991). Some tourist establishments use several strategies and policies to overcome perishability as setting encouraging prices in out of seasons, temporary employment, marketing alliances with other organizations, share services with other organizations and other policies, but the most important is developing policies of recruitment, selection, appointment and mapping of human resources to ensure obtaining distinctive staff that are able to add their creative touch to services, to convince customers and achieve their satisfaction.

- **Intangibility**

The tourist cannot see, touch or feel the tourist product/service and therefore it is difficult for him/her to trust or to evaluate its quality or utilities that can be obtained when purchasing the product. Consumers in the other business enterprises that provide commodity concrete products can judge the quality of the product and easily make the purchasing decision, and also can sometimes take a sample of the product to try it before purchasing. Therefore, this intangibility makes the task of marketing of tourist services and achieving a competitive advantage so difficult. To overcome this characteristic, it becomes essential to highlight all of the physical facilities associated with tourism service as decoration and added services i.e. airways companies should highlight meals service, entertainment means and modern technical means for customer convenience and adopt the prices that harmonize the service level and client expectations. These, no doubt, are good strategies but without the distinctive human element in everything especially in abilities and personal qualities, might become useless.

- **Heterogeneity**

It is known that the tourist services are heterogeneous in nature; the service provided to a customer may vary from that provided to another customer at the same time and place. The provided services for a guest comes to the hotel to participate in a scientific conference obviously differ from services provided to the businessman in the same
hotel and differ from that provided to the guest came within a sports delegation. Differentiation or heterogeneity in tourism services makes it difficult to establish standards for service quality; service quality is that achieves customer satisfaction and this can be considered as the cornerstone that all tourism business and other business establishments fight to achieve. Tourist services are heterogeneous in terms of standards and quality as it offered by people for people and these people are different in their knowledge, skills, moods, feelings, behavior, attitudes etc... In contrast, commodity products as cars and TVs are relatively homogeneous regardless of its brands. Tourism services providers cannot maintain the same service performance because performance depends on the tourism demand for their service (Kandampully et.al, 2001).

- **Inseparability**

The process of production, delivery and consumption or using of tourism service is inseparable and occurs simultaneously. Tourist services cannot be produced in place, moved to be sold elsewhere and then consumed elsewhere, but purchased in advance and then are introduced and used in same time and place. For example, a traveler buys an airline ticket and then uses the services provided on the plane as they introduced. The interaction between service provider and consumer or user in tourism organizations is an important determinant of the quality of service. (Bateson, 1995). As long as the provision of tourist service /tourist product is in sync with the consumption or use by the customer, this enables the management of tourist establishments to know customer's reaction towards the service through feedback and this helps in serving customers perfectly, but this feature can also be negative if the error occurred when service delivery because it cannot be eclipsed, which confirm the need for a distinctive human element in knowledge, skills and personal specifications that enable him/her to play this critical role in customer service.

- **Non-transferability**

It is known that the commodity products are transported from production place to where customer is, but it's different in case of the tourism product or service; tourist is required to travel to where the product is, which might be an archaeological tourism sites or a restaurant or a hotel etc.. The creativity in promotion and word of mouth is
very important in this regard since potential or expected tourists should be convinced to visit the intending tourist place then achieving their satisfaction. Thus, the role of the human element in the tourism industry is much more important than in other service institutions and that offering commodity products. Tourism and hospitality organizations attempt to overcome this challenge of the non-transferable tourist product by using some policies or procedures as food delivery, participation in international tourism and heritage exhibitions, opening new branches of hotels in tourist-exporting countries, the establishment of regional tourism offices and travel agencies abroad in order to help the tourist demand to perceive the tourism services well.

- **Seasonality**

Demand for tourist services is seasonal and fluctuated; it varies according to the season and fluctuates in the same season in response to economic, political, security conditions etc. Demand for winter resorts increases in winter and shrinks in summer and summer resorts revive in summer only, so this challenge to tourism and hospitality institutions reduces their ability to achieve balance and harmony between supply and demand despite that a lot of tourist establishments use temporary employment as one of its policies to tackle the problem of seasonal tourism demand. Seasonal tourism demand is associated with other features of tourist services as relative stability of tourism supply and tourist demand elasticity which will be discussed in the next two topics:

**The relative stability of tourism supply**

Of the characteristics of tourist supply, is that it is fixed or relatively static in the sense that it is difficult to change or modify the elements of tourist supply to be harmonized with tourism demand both quantitatively and qualitatively since we cannot use tourism institutions and facilities such as hotels and tourist cities for any purposes other than tourism, and if possible it won't be easy or in short term. On the other hand, Tourism products and services are difficult to be designed and produced with what suits with the tastes and preferences of tourists that are so different and diverse to the extent that makes the task of balancing supply and demand of tourism is an impossible task without the creative human element in everything.
Tourism Demand Elasticity

Tourist demand could be defined as "the total number of persons who travel or want to travel to use tourist facilities away from their places of residence and work" (Mathieson and Wall, 1982). This definition includes actual and prospective or potential tourists, whereas flexible tourist demand means the susceptibility of the demand for tourism products and services to be changed according to the prevailing conditions in the tourism market locally, regionally and globally, and whether economic or political or security conditions. Economic conditions as currency exchange rate and inflation, affecting tourism demand but the important and direct impact is the price of tourism products and this is associated with price elasticity of tourism demand that describes the responsiveness of demand for tourism products and services, directly, to the change in their prices and in prices of complementary and substituted services. A simple rise in prices of tourist services leads to more change in tourism demand i.e. demand for air travel service is affected by changing prices of the flights itself and the change in fares of trains or tourist buses. The rise in prices of the package tour to an intending tourist country/destination would make tourist take the decision to change the tourist destination where tour price is low, assuming the stability of the other factors.

There are features and other characteristics that distinguish tourism products and services including the possibility of timely acquisition i.e. the tourist uses an aircraft’s seat for a specific time and then comes back to his/her native place carries nothing more than memory and impression which may be positive or negative. Sensitivity to political and security conditions, the depending on the human element and no possibility of replace machine with human resource, the need to special identity and excellence, multiplicity of stakeholders/providers which contribute directly or indirectly to the preparation and offering of the tourist product, all these features impose the urgent need of human resources with knowledge, skills and special personal specifications that grant tourist enterprises and tourism industry in general the survival and success in the complex tourist labor market.
Historical Glance of Travel Agencies

The root of travel and tourism agencies in the world is dating back to the year 1841 when the English Thomas Cook started train trips for his friends to attend conferences and seminars getting a commission of 5% from the railway company. The number of passengers on the first trip was 500, whereas the first commercial venture organized to Liverpool in the summer of 1945. First foreign trip organized by Cook outside England was in 1855 to Paris Exhibition then followed by several trips to different European destinations; in November 1863 a trip to Switzerland for 60 passengers, on the same year a trip to Paris included 2000 travelers out of them continued to Switzerland, and in 1864 a trip to Italy. The travelers to both Switzerland and Italy were middle-class economic and want good services, so Thomas Cook started coordination with hoteliers and inns holders to arrange rooms and catering services. The year 1868 witnessed another milestone through issuance of Hotel Coupon. In 1869 Thomas Cook Company launched new markets in the Middle East by organizing a trip to both Egypt and Palestine and coming back through Turkey, Greece, Italy and France and the journey took 222 days, after he had organized a trip to the United States in 1865. These trips were an attempt by the company to establish a base and foothold that enables it to reach to competitive position and leading center in the world travel and tourism market. Thomas Cook Company adopted economic prices through booking complete train seats and hotel rooms to get quantity discount and therefore sell cheap trips for travelers then hired full steamers and used in tourism trips to various international tourist destinations. The company issued the notes circulars which are known today as travelers checks. The company merged with (Wagons Company) which was specialized in providing food and sleep services on European trains 1931. After the Second World War the company was seized where its headquarter in Paris and the company's assets were requisitioned by the British Government until the end of the war in 1948 to become part of British railways that was denationalized in 1972 and was bought by three companies and returned successfully later to the world travel market in 1996. Since the beginning of the new millennium, Thomas Cook has become one of the famous leading leisure travel companies of the world and achieved sales that surpass 9 billion Euros. (www.thomasCook.com).
Wells Fargo was also one of the first travel companies in the world, founded in 1841 by Henry Wells but the company converted in 1850 to the American world famous company that is known as American Express.

The historical growth of travel and tourism agencies worldwide is not confined only to the Thomas Cook company, which its historical growth has been reviewed as the kernel of travel agencies industry in the world, but travel and tourism agencies have evolved with the evolution of the various means of transport, reservation systems evolution and the emergence and evolution of global unions and organizations involved in travel and tourism. Some stations in the growth of travel and tourism agencies are the following:

- 1920 witnessed a remarkable development in travel agencies because of the entry of the civil aviation in the operation and the emergence of giant aircrafts, facilitated travel in large numbers with people's willingness to travel to get rid of the negative effects of the First World War. Canada holiday trips have evolved significantly, especially after the creation of the Canadian Institute of travel counselors (CITC) and travel agencies development continued as one of the largest competitive industries in the world.

- 1952 was a landmark in the development of travel agencies in the world by launching the magnetron reservation system by the American Airlines and also the computer reservation system in the world developed by TRANS Canadian Airlines.

- 1970 American Airlines developed Saber computer reservation system which came into effect on travel agencies across America and then started being used for booking in travel agencies and hotels.

- 1987 British, Swiss, and Italian airlines agreed to run Galileo reservation which is used in America in the name of Apollo and developed since 1980, whereas in the Arab world started using it in 1992 by Saudi Arabian, Emirates, Kuwait, Lebanon, Syria, Yemen, Jordan and Egypt airlines. This reservation system was a revolution in the development of travel and tourism agencies. In the same year, French, Lufthansa, Scandinavian, and Liberian airlines allied to use Amadeus which is currently the leading reservation system in the world.
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- 1996 a Microsoft application known as Expedia started used and made reservation process easier in air companies, hotels, and car rental companies and is also a major turning point in travel and tourism agencies industry in the world. Currently, travelers/tourists have become able to book online from home with ease and without need to travel agent and this in itself is a challenge to the travel agents will make them struggle in the future.

Types of Travel and Tour Agencies

Classifications and divisions of travel and tourism agencies are several and different in the literature specialized in travel and tourism affairs; some are sorted by the agency’s place and size to multiple and manipulate travel agencies, second classification by type of travel where agencies are divided into business travel agency, leisure travel agency, adventure travel agency etc., the third classification divides travel agencies by ownership and other classification according to the nature of activity and function. The last two categories are most common and which will be dealt with as follows:

- **Classification according to ownership:**

  Travel agencies like any business enterprises are divided according to ownership to three types:

  **Proprietorship:** in this case, the travel agency is owned by one person and all agencies' assets return to him/her. The owner of the travel agency is responsible for formulating strategies and policies for the company as well as to take all decisions; he/she is the manager and the owner simultaneously.

  **Partnership:** the travel and tourism agency in this classification is owned by two or more people share the responsibility of managing the agency and running all that belongs to.

  **Corporate:** this type of tourist companies and travel agencies is most recognizable today. It has a special identity distinguishes it from the previous two types of travel agencies as there is a separation between ownership and management and is also featured by institutional operations, corporation, and independence, whereas owner may be one or more persons as shareholders or stakeholders of the travel agency.
• **Classification of travel agencies, depending on the nature and activity of the business:** this classification is perhaps the most recognizable in travel and tourism studies as it divides tourism and travel agencies according to its role in preparation and planning, marketing and selling and implementing of programs and trips of travel and tourism. According to this classification, travel agencies are divided into three types:

  **Tour operators:** the tour operator plays the role of intermediary between the tourist service providers such as airlines and other transportation companies, hotels, restaurants, insurance companies and other tourism services providers from one side and travel agents from the other side. In this case, tour operator is responsible for preparation and planning of the trip whereas travel agent sales and markets the programs to the final customer (tourist/ traveler). Tour operator may have all the components of the product and be responsible for the preparation, planning, marketing, and program implementation.

  **Ground Travel Agencies:** these agencies are found in destination countries and travel agent, in this case, is responsible for receiving tourists and implementing the present program preset by tour operators in the generating tourist countries.

  **Retail Travel Agency:** travel agent here operates as an intermediate between the tour operator and tourist/ traveler/, and operates as an intermediate between different carriers and travelers or tourists. This kind of travel agencies is most prevalent in the travel and tourism market today.

**Launching and Designing of Travel Agency**

It is not an easy task to start up a travel agency, but it is a complex task that requires experience and organizational proficiency, based on the interdisciplinary travel and tourism scope from one side and a high degree of competitiveness in travel and tourism sector and variety of customers from the other side. The decision of launching a travel business must be made according to careful study for all variables and domains involved in or affect travel and tourism agency business particularly when we know that many travel agencies perished after a short time from its launching because of lack of management knowledge and experience.
Some travel agencies spent years of study to start its operations in travel market in order to ensure its sustainability in the market besides widening functions for the same purpose because airlines provide zero commissions to travel agencies in the first year of operation, so some other travel agencies decided to operate not just as travel agency but also as a tour operator to sale tickets as well as operate in holiday packages, package tours and many ways of product diversification such as hotel booking and doing all the processes of travelling as passport and visas issuing for travelers or tourists.

Before starting up the travel agency or tour operation, identifying customers to decide the nature of core product, is a prerequisite because customers to whom the travel product will be sold will decide the possibility of sustainability, turnover, and success of the travel agency. Thus, diversification of products and services, identifying current and potential tourist demand and also the suitable location, remain the crucial issue that must be taken in account before making a decision of travel agency launching as it provides a future prospect of profits which is the main objective of travel agency as a business and not a charity organization.

The location might be perceived as an extra cost regarding the costs of land or rent in main streets or near to landmarks, but actually the location in such places provides real benefits for a travel and tourism agency represented in customers satisfaction resulting from accessibility and visibility that enables them to reach out the travel agency comfortably and this customer satisfaction can be considered as the fuel by which the wheels of the travel agency will remain move.

Travel agency must obtain a license and approval from the governmental authority concerned in tourism affairs as ministry of tourism or tourism authority in the country it exists in, must have a current account in the bank to deposit some amount of money as an insurance amount that is different from one country to another and should be approved by and/or have relation with the global organizations and unions concerned in travel and tourism like International Air Transportation Association (IATA), International Federation of Tour Operators(IFTO), World Association of Travel Agencies (WATA), World Tourism Organization (WTO) and so on.
Organization of Travel and Tourism Agencies

The owner plays a crucial or at least a big role in determining the organizational structure of the travel and tour agency. The extent up to which he/she is aware of the modern administrative concepts and thoughts, the nature of work in sensitive fields such as travel and tourism which is so responsive to all surrounding changes and competitiveness, play the pivotal role in determining the organizational structure of the travel agency and in case of the materialistic thought prevailing and/or lack of management knowledge, the owner tries to make the organizational structure small as possible and vice versa. Objectives of the travel agency as well as its mission and vision are important antecedents that cannot be overlooked when designing the organizational structure of the travel agency that is also determined according to the type and nature of business of travel agency. Thus, the organizational structure of the travel agency which operates only in travel ticket sales will be, no doubt, different from the structure of that operates in both travel and tour with all main and ancillary services. Accordingly, the roles and responsibilities and the associated powers will be clear for each position within the structure as well as the communication channels that must be more flexible and opened at all level in the tourism industry.

Some other influential factors that must be taken in account such as governmental rules and legislation and especially that are related to human resource employment and tourism development plan (TDP) and the availability of qualified human resource that carry high degrees in tourism administration principally when we know that some travel agencies are not small or medium sized but large and complex. Examples of small, medium and large sized organization chart is shown in fig. (4.1, 4.2, 4.3).

The organizational structure of travel agencies differ according to nature of work and functions; when the travel agency operates only as an intermediate between tour operator and final tourist user/tourist, in this case, the organizational chart will be small, whereas in case of operating as tour operator and travel agent, the organizational structure will be, no doubt, large. Thus, the nature of work, as well as the size of the travel agency and its functions, imposes the size of the organizational structure, responsibilities, relations and communication channels within the agency.
As the branches of a travel agency are, more likely, more specialized in the work nature, the organizational structure of the branches is different from that of the headquarter; the headquarters involve, often, all types of tourism as inbound, outbound and domestic, whereas branches, more likely, operate just in one type. Hence, the organizational structure of travel agency comes in two parts/forms: headquarter and branch structure.

![Organizational Structure of a Small Sized Travel Agency](www.bieap.gov.in)

**Figure 4.1: Organizational Structure of a Small Sized Travel Agency**

Source: www.bieap.gov.in

![Organizational Structure of a Medium Sized Travel Agency](www.lucidchart.com)

**Figure 4.2: Organizational Structure of a Medium Sized Travel Agency**

Source: [www.lucidchart.com](http://www.lucidchart.com)
Figure 4.3: Organizational Structure of a Large Sized Travel Agency

Functions and Activities of Travel and Tourism Agencies:

Travel and tourism agencies operate as an intermediary between a side that possess services such as hotels, airlines, land transport companies, car rental companies, railways, steamship and cruise companies, restaurants etc., and the other side that wants to purchase those services which are the traveler or the tourist. Thus, travel and tourism agencies are the main distribution outlets that distribute travel and tourism services provided by services’ suppliers. Tourism and travel agent who completes travel bookings and sales airline tickets, hotels rooms, tickets of steamship and tourist yachts, tickets of museums and galleries etc., works for travel agents’ commissions they receive from suppliers. Hoteliers offer a 10% commission which is the highest rate among the rest of the commissions earned by travel agents, while the railway companies offer a commission of 3%, which is a very low percentage, so the most of travel agents do not offer booking service of railways. The airline offers a commission of only 7% for international flights however most travel agents feel that this given commission is insufficient because of the high overall costs and cumbersome procedures of cancelation and the large number of staff required to serve (Negi, J.M.S, 1998).

We should distinguish between two types of travel agents are the mediator and organizer (operator). The intermediary travel agent who sells wholesale or retail of all what is produced by tour operators or tourist services providers for travelers or tourists. Travel agent, in this case, is in direct communication with the end-user/tourist. Of what distinguish these travel agencies is that small business that neither need much capital nor receives any risks and work with the commission. Tour operators are those who compile the tourism product elements or services offered by services’ providers and organize them in the form of pre-identified integrated package tours and sell to tourists or travelers directly or through retail agents.

Tour operators may have all or some elements of the trip that are usually provided by the suppliers of tourism services, such as hotels, airlines, car rental companies and others, and in this case, they plan integrated tour packages, execute the program, and undertake all liabilities and risks. Tour operators operate in the generating markets of tourism and responsible for marketing and advertising for the tourism product or a tourist trip through a full coordination with specialized firms in this area or through branches of regular travel agencies. Airlines contribute sometimes to the preparation of publications and bulletins (Asseesy, Maher, 2000).
Travel and tourism agencies perform multiple functions and activities but mainly include the following:

- **Travel Information:**
  A travel agent is responsible for providing all information relating to travel since the departure of the traveler until his/her return particularly that is relating to the tourist destination of weather, customs, and traditions of the local population, the economic situation and standard of living, the currency exchange rate, cultural differences etc. This means that the travel agent must have wide knowledge and culture that belong to each trip. Thus, the capability of providing information and consultancy remains the main forte to travel agent according to (Vrana, 2010).

- **Preparation of Itineraries:**
  Travel agent prepares a chart explaining the point of the start of the journey, points of stops and all the places to be covered by the trip’s arrangement in time and space. In addition to the itinerary preparing, the travel agent provides advices for travelers to choose the most suitable and comfortable means of transport and enables them in the selection process from among the available transport means as air, land, and sea according to their preferences, time and capability to pay.

- **Coordination with Service Providers:**
  Since the travel agent acts as an intermediary between the service providers and the tourist/traveler, he/she must have a constant contact with service providers, especially with regard to flight planning and cost. Many travel agencies organize trips for their employees to various tourist destinations to become familiar with each trip in order to facilitate the preparation of itineraries and costing. The relationship also should be between the travel agent and service providers regarding the task of publicizing the trip.

- **Ticketing and Booking:**
  One of the most important tasks of the travel agent is the ticketing for airlines, trains tickets, and tickets to entertainment and leisure centers. Travel agencies use computer reservation systems and central reservation systems particularly in issuing air tickets through Galileo system and Amadeus system.
• **Foreign Exchange:**

To save a lot of time and avoid annoyance for the intending tourists, travel agencies should provide a currency exchange service, especially in light of the existing competition in the travel and tourism industry for customer service.

• **Insurance:**

Insurance, whether on tourists and travelers of different risks of accidents or loss of personal baggage, is one of the most important functions or tasks are undertaken by travel agencies at present.

• **Advertising:**

The preparation of publications of the trip and promotion is one of the functions of a travel agent in coordination with tour operators and tourism service providers, whether publications of tourism programs and itinerary or promotional publications.

• **Tour Guiding:**

Travel agency provides a service of tour guiding according to the profession of guidance and in accordance with the laws and rules of the tourist destination. The travel agency that offers tour guiding service and concerned in the implementation of the program of the trip, is called as a ground travel agency and located in the tourism destination.

• **Others:**

Travel agencies perform other tasks such as passport and visas issuing service for tourists and travelers and simplify procedures for obtaining them in coordination with various embassies and consulates.

**Remuneration of Travel/Tour Agencies:**

People would have to go directly and individually to any travel company in order to get a travel ticket till travel agencies emerged in (1840) when Thomas Cook organized his first organized trip in England. Travel agent started operating as intermediate between the tourist and travel services providers, but unfortunately, in current era travel agencies are fighting to survive and remain in the market after the appearance of some serious
Chapter 4

challenges that threaten them as the orientation of airlines companies toward reduced or zero commission from one hand and online reservation from the other hand. Nevertheless, it can be said that travel agencies earn their incomes mainly from the commission and from travel services fees.

- **Commissions:**

As it was known, travel agencies get commission of 7-9% on international tickets, 1% on domestic tickets, and 5% on train tickets, but nowadays the situation is becoming virtually different as travel agencies started facing a problem of reduced or removed commission instead of the previous commission that they used to get from airlines companies and this problem started in US in 1995 when travel agencies started get only 5% commission on international tickets instead of 9% because airlines companies in the US aimed at reducing operating costs that are known as low carrier costs (LCCs) in order to face the reduced fares of air tickets, which made travel agencies suffer and the result is disappearance of about 9000 travel agencies from the travel market in the US. In Europe, the situation was different as the commission remained same for more than a decade despite (LCCs) policy, but the commission in Europe lowered from 9% to 7% in 1999 then started to be disappeared in Scandinavian travel market virtually after 2003.

Despite airlines are still granting travel agencies commissions on domestic air tickets, there is a big orientation toward zero commission as shown in the table no (4.1). Travel agencies earn commission also from steamship companies, railways, tour operators, hotel and resorts and such commissions are different from a country to another and also in the same country according to low and high seasons, sometimes there is an orientation to encourage tourists to visit a particular destination and in this case the commission might be increased as an incentive commission and so on. In India, after travel agencies have been getting a commission of 7-9% for domestic tickets and 10% for international tickets (Negi, 1998), travel agents of India (TAI) celebrated on its main website in 2011 that they could convince Jet Airways and Air India to provide travel agencies 3% commission for both international and domestic tickets (www.travelagentsofindia.com). Hence, travel agencies have to adopt the adequate flexibility rapidly; otherwise, they might find themselves enforced to close their doors.
- **Travel Services Fees:**

Travel agencies, as aforementioned, face the challenge of zero commission, so they can adopt some remedial procedures as to add their own fees on tickets prices, but zero commission is not the alone challenge that travel agencies face as the other challenge is the emerging online booking that accounted for approximately 45-50% of travel reservation in India and globally and emergence of so advanced intelligent mobile phones. The internet has put travel agencies in a critical situation as it provides travelers with visualization of travel products through video clips and graphic images (Tsang, 2010). Consequently, the ideal solution is the horizontal expansion and integration through multiple operating as retail travel agencies, ground travel agencies, and tour operator as some travel agencies actually did. Moreover, some other travel agencies had their own land transportation fleet and some big sized travel agencies even owned airlines, and in the same context, virtual cards that offered by travel and tourism product suppliers such as hotels and low-cost carriers and enabling the travelers to buy travel product through using a central payment system, might play an important role in this regard.

Nevertheless, airlines companies haven’t been able to dispense travel agencies completely, and online travel booking might be unable to displace travel agencies from travel and tourism market; as travel agencies are capable of keeping pace with all changes of the travel and tourism industry which is so sensitive and based on travel agencies spread in the market, their proximity to consumers and information and consultancy service that travel agents provide to travelers and tourists as travel agents have experience and acquaintance of everything related to travel and tourism such as the means of transportation, destinations, means of accommodation and they provide consumers with vast range and variety of choices and consumers can choose what is suitable for their time, capability to pay, desires and purpose of the travel. Moreover, the travel agent convinces the tourist/traveler and helps him/her in decision making through word of the mouth and humanitarian touch.

Travel services from which travel agencies can earn their income are package tour in case of operating as a tour operator, services of currency changes, travelers’ cheques insurance, passport and visa issuing and so on.
<table>
<thead>
<tr>
<th>Country</th>
<th>Airline Company</th>
<th>Date</th>
<th>Domestic Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>United State</td>
<td>Delta</td>
<td>2002</td>
<td>0%</td>
</tr>
<tr>
<td>Ireland</td>
<td>Aer Lingus</td>
<td>2003</td>
<td>1%</td>
</tr>
<tr>
<td>Finland</td>
<td>Finnair</td>
<td>2003</td>
<td>0%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>KLM</td>
<td>2003</td>
<td>0%</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>SAS</td>
<td>2003</td>
<td>0%</td>
</tr>
<tr>
<td>Russia</td>
<td>Aeroflot Russian Airlines</td>
<td>2004</td>
<td>0%</td>
</tr>
<tr>
<td>Italy</td>
<td>Alitalia</td>
<td>2004</td>
<td>1%</td>
</tr>
<tr>
<td>Poland</td>
<td>LOT Polish Airlines</td>
<td>2004</td>
<td>1%</td>
</tr>
<tr>
<td>Germany</td>
<td>Lufthansa</td>
<td>2004</td>
<td>0%</td>
</tr>
<tr>
<td>France</td>
<td>Air France</td>
<td>2005</td>
<td>0%</td>
</tr>
<tr>
<td>U K</td>
<td>British Airways</td>
<td>2005</td>
<td>0%</td>
</tr>
<tr>
<td>Belgium</td>
<td>SN Brussels Airlines</td>
<td>2005</td>
<td>0%</td>
</tr>
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<td>Austria</td>
<td>Austrian Airlines</td>
<td>2006</td>
<td>1%</td>
</tr>
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<td>Tarom</td>
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<td>1%</td>
</tr>
<tr>
<td>Spain</td>
<td>Iberia</td>
<td>2007</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

**Future Trends of Travel and Tourism Agencies:**

No doubt that scientific and technological advancement outcomes impact, approximately, all life domains and travel and tourism industry is not isolated from the changes that have been occurring in the world and the aforementioned challenges (see remuneration of travel agencies) made the image of the future trends of travel and tour agencies clear to some extent and will be more clear after discussion of such trends with some details of both challenges and opportunities of travel and tourism business as follows:

**The growth of the emerging market:**

It is expected that travel and tourism movement in emerging markets such as China, Russia, and India, will rapidly grow based on the large, spread and advanced railways
and airlines network; China has very advanced fleet of railways, Russia airlines is improving rapidly and railway network of India is so spread, in a way that enables these countries, as emerging markets of travel and tourism industry, to grow worthily and particularly when it is known that Russia accounts for more than 50% of travel market in western Europe and China is the largest source of outbound travelers globally (WTTC, 2015), so travel and tourism industry will grow in aforementioned countries and this will create more opportunities for travel agencies to face the challenge of zero commission by offering suitable programs to travelers, which might lead to its survive and turnover.

Silent Travelers

Through using the outcomes of technical advancement such as smart mobile phones and internet, a lot of travelers directly contact online with different suppliers as anyone can write inquiry without need for spoken words about all what he/she wants on the website of hotels, airlines, steamship lines companies etc. and get all required information that helps in making the decision of travel and this in itself represents a big challenge to travel agencies. Thus, this trend can also be named as disintermediation as it means using the internet as distribution channel instead of a travel agency, but travel agencies are still fighting to survive. In the figure 4.4, the old and contemporary distribution channels that are used by travel suppliers and showing that clients/consumer can contact supplier directly by visiting hotels, airlines, tour operators etc. in its locations, or through visiting the website of such suppliers and buying travel products (about 50% of travel bookings made through online, globally), or buying travel product from travel agent (contemporary distribution), but in old distribution, internet was not used as channel of distribution channel.

Zero Commission:

As travelers are becoming able to using internet to contact directly with various travel suppliers, on one hand, and (LCCs) airlines companies that want to face the reduced airfares on the other hand, many travel agencies are no longer getting commissions, so it is expected, with supposing that other influential factors will remain static, that travel agency will suffer badly from zero commission in the upcoming future. LCCs use the internet as the alone distribution channel and travel agents have been
becoming dispensable. Thus, travel agencies will remain facing such a problem and might more significantly in the future unless they operate in various activities and programs.

**Figure 4.4:** Old (___) and Contemporary (___) Distribution Channels used By Travel Suppliers, Own Elaboration of the Researcher

**Video Conferencing**

In the same context, a technological tool enables business travelers and tourists to attend business conferences, exhibitions, and shows and even to manage their business enterprises, through videos without travel, and this is another challenge to travel agencies.

**Human Touch as a frontier of Travel and Tourism business**

In turn, this trend ensures the importance of human resource and personalization in travel and tour agencies that makes travel agency as indispensable by travelers and tourists who definitely seek to fulfill their intrinsic and passionate needs that they are disabled to fulfill themselves. Thus, it can be said that technological tools might work as stimulate factor to attract potential and expected travelers and tourists to travel and buy tour packages from travel agents who can discover their intrinsic needs and fulfill it through providing them well-selected items of final travel/tourism product.
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