Chapter II

2.1 Tourism Industry
Tourism is the world’s largest industry with annual revenue of almost 550 billion dollars. Tourism industry has earned over 735 billion dollars worldwide, provided service to over 842 million international travelers in the year 2010 and the number of tourists has increased to 898 million in 2012 as per World Tourism Organisation records. According to World Tourism Institute the prediction for tourism is that till 2020 the number of tourist traveling across the world will be nearly 1600 million and they will spend nearly $2000 billion on it. The average growth in the tourism industry will be about 4.3% and the receipts will be 6.7% of the total service sector receipts.

2.2 Indian Travel and Tourism Industry
Indian tourism offers most diverse products and services. The country’s rich history, cultural heritage and scenic beauty fascinate budget and luxury travelers alike. Tourism Industry in India has registered significant growth over the years. The reasons are not far to seek - rising incomes, increasing affordability of tours, growing aspirations of Indians, increasing globalisation, and a competitively priced airline industry along with improvement in travel-related infrastructure have supported industry growth. Tourism holds immense potential for the Indian economy. It can provide impetus to other industries through backward and forward linkages and can contribute significantly to GDP.
2.3 The Development of Organised Tourism

The nucleus of organized travel is as old as mankind. In olden times people travelled as pilgrims, as government emissaries, as traders and as part of marching armies. Therefore, there had to be an organization that catered to the needs of the traveler and there had to be a specialization of duties for the management of such movements. People travelling had to be provided with transportation, with food and arrangements had to be made for overnight halts, for transport across rivers, mountains and deserts. People stopped at caravan sarais for the night; they had hosts at places to provide them with food and there were dharamshalas where people stopped and were provided with utensils for cooking and wood for fire. Very little has changed ever since in the forms of the needs of these travelers. Only the needs have now taken more sophisticated forms as also the services in meeting the same needs of the travelers. The caravan sarais have been replaced by luxurious hotels, the transport moves on wheels, jet planes take one across the continents, trains and transport moves on wheels, and buses criss-cross the country and the huge luxury liners sail on the oceans. The guides, the priests, the leaders of caravans have been replaced by travel agents, tour operators and excursion agents.

The earliest known travel agency was established in the year 1758 and still continues to do business under the same name. Cox & Kings which was founded in the United Kingdom (UK) with offices in India as well. In India this company was primarily established to manage the movement of the army and transported the baggage and the gear of the forces. The most organized travel agency Thomas Cook & Sons was established in the beginning of the 19th century in United Kingdom. The first trip of this company was made by a coach and pony to a distance of 40 km. and carried the first group of travelers to a seaside excursion. This trip can be called the forerunner of the idea of a package tour. Before the First World War and between the two Wars, companies such as Thomas Cook, American Express and Cox & Kings were known to handle the voyages of the Indian princes and Maharajas who would periodically visit Europe.
and America, making arrangement for the large entourage of personnel and the baggage that these royal visitors carried with them which included sometimes their favourite horses or even Ganges water for bathing and drinking purposes. In India the concept of travel agencies, in the form that we know, came into its own after the end of the Second World War. However, the honour of being the first Indian travel Agency goes to Messers. Jeena& Company, a Bombay based organization which was started 90 years ago by the famous House of Katgaras. This company is still in operation under the same name and is the forerunner of the presently well-known travel/tour company of India – The Travel Corporation of India (TCI).

Since the end of the Second World War the tourist business has come into its own. There was a tremendous upsurge in the desire of man to travel to different countries and to the continents and see for himself the wonders created by man and nature. The last forty years has seen tourism develop as a large and significant industry in the world, probably the largest single industry, next only to agriculture.

2.3.1 Tourism Development in India

Early Development

The first conscious and organized efforts to promote tourism in India were made in 1945 when a committee was set up by the Government under the Chairmanship of Sir John Sargent, the then Educational Adviser to the Government of India. After Independence Tourism was recognized as a potential instrument for economic development. During the 1950s, Tourism development was taken up by the government with a series of five-year plans, and in 1966, the India Tourism Development Corporation (ITDC) was set up to promote India as a tourism destination. Tourism development gathered momentum during the 1980s, with the formulation of a National Policy on Tourism and the creation of the Tourism Finance Corporation (tfc.ltd.com) to fund tourism projects. A National Policy on tourism was announced in 1982. Later in 1988, the
National Committee on Tourism formulated a comprehensive plan for achieving a sustainable growth in tourism. In 1992, a National Action Plan was prepared and in 1996 the National Strategy for Promotion of Tourism was drafted. In 1997, the New Tourism Policy recognizing the roles of Central and State governments, public sector undertakings and the private sector in the development of tourism was formulated. The need for involvement of Panchayat Raj institutions, local bodies and the non-governmental organisations in the creation of tourism facilities has also been recognised.

2.3.2 Tourism Development Agencies

The India Tourism Development Corporation continues to be a leading force in tourism development. It not only plays a marketing and consultancy role, but also provides training for tourism and hospitality workers and manages tour companies, hotels, transportation systems, duty-free shops and restaurants. The Ministry of Tourism also works in conjunction with agencies such as the Indian Institute of Tourism & Travel Management (iittm.org), the National Institute of Watersports (niws.nic.in) and the Indian Institute of Skiing and Mountaineering (iismgulmarg.com).

Indian travel & tourism’s contribution to capital investment is projected to grow at 6.5 per cent per annum during 2013-2023, above the global average of five per cent. The tourism policy of Government of India aims at speedy implementation of tourism projects, development of integrated tourism circuits, special capacity building in the hospitality sector and new marketing strategies.
Chart No 2.3.3 Division of travel income

2.3.4 Division of Travel Income

Personal travel and tourism is the most significant contributor, accounting for 55% of the total market, while business travel forms only 9%. Capital investment is also significant with a share of 24%. Hotels, air transport, surface transport, basic infrastructure, and facilitation systems environment are some of the related sectors.

Globally the share of the Indian travel and tourism industry is not very significant. However the industry holds immense potential. In fact, India has been ranked among the leaders by the WTTC for long-term (10-year) growth prospects. Further, a globally renowned travel magazine, Conde Nast Traveler, ranked India among the top 10 tourist destinations of the world. India is probably the only country that offers various categories of tourism with its geographical diversity and rich cultural heritage.
2.4 Major Tourist Destinations in India

India has several tourist destinations spread across the length and breadth of the country. However, given the distance between various destinations, tourist circuits have been created considering the needs, choices of tourists as well as convenience. Some major tourism destinations are shown in the map.

Chart No 2.4.1 Major Tourist Destinations in India
2.5 Important Facts about Tourism, 2012

<table>
<thead>
<tr>
<th>(i) India</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Foreign Tourist Arrivals in India</td>
<td>6.58 Million</td>
</tr>
<tr>
<td>Annual Growth Rate</td>
<td>4.3%</td>
</tr>
<tr>
<td>No. of Indian Nationals departures from India</td>
<td>14.92 Million</td>
</tr>
<tr>
<td>Annual Growth Rate</td>
<td>6.7%</td>
</tr>
<tr>
<td>No. of Domestic Tourist Visits to all States/UTs</td>
<td>1038 Million</td>
</tr>
<tr>
<td>Annual Growth Rate</td>
<td>19.9%</td>
</tr>
<tr>
<td>Foreign Exchange Earnings from Tourism</td>
<td></td>
</tr>
<tr>
<td>i) In INR terms</td>
<td>₹ 94487 Crore (#)</td>
</tr>
<tr>
<td>Annual Growth Rate</td>
<td>21.8%</td>
</tr>
<tr>
<td>ii) In US$ terms</td>
<td>US$ 17.74 Billion(#)</td>
</tr>
<tr>
<td>Annual Growth Rate</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

(ii) World

|  |
| --- | --- |
| No. of International Tourist Arrivals | 1035 Million (P) |
| Annual Growth Rate | 4.0% |
| International Tourism Receipts | US$ 1075 Billion (P) |
| Annual Growth Rate | 3.2% |

(iii) Asia & the Pacific Region

|  |
| --- | --- |
| No. of International Tourist Arrivals | 233.8 Million (P) |
| Annual Growth Rate | 7.0% |
| International Tourism Receipts | US$ 322.8 Billion (P) |
| Annual Growth Rate | 8.1% |

(iv) India's Position in World

|  |
| --- | --- |
| Share of India in International Tourist Arrivals | 0.64% |
| India's rank in World Tourist Arrivals | 41 |
| Share of India in International Tourism Receipts | 1.65% |
| India's rank in World Tourism Receipts | 16 |

(v) India's Position in Asia & the Pacific Region

|  |
| --- | --- |
| Share of India in International Tourist Arrivals | 2.82% |
| India's rank in International Tourist Arrivals | 11 |
| Share of India in International Tourism Receipts | 5.50% |
| India's rank in International Tourism Receipts | 7 |

P: Provisional

#: Advance Estimates

The table above gives the latest tourism statistics for India. It shows that India is fast catching up with the leading nations of the world in both the Domestic and International tourism.
2.5.1 Domestic Tourism In India

Almost all the states in India have attracted domestic tourists. This is because all Indian states have tourist attractions. Tamil Nadu and Andhra Pradesh lead the way. The share of Maharashtra is 6.4%.

<table>
<thead>
<tr>
<th>Rank</th>
<th>State/UT</th>
<th>Domestic Tourist Visits in 2012 (P)</th>
<th>Number</th>
<th>Percentage Share(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>206817895</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Tamil Nadu</td>
<td>184136840</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Uttar Pradesh</td>
<td>168381276</td>
<td>16.2</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Karnataka</td>
<td>94052729</td>
<td>9.1</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Maharashtra*</td>
<td>66330229</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Madhya Pradesh</td>
<td>53197209</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Rajasthan</td>
<td>28611831</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Uttarakhand</td>
<td>26827329</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Gujarat</td>
<td>24379023</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>West Bengal</td>
<td>22730205</td>
<td>2.2</td>
<td></td>
</tr>
</tbody>
</table>

Total of top 10 States: 875464566 84.5
Others: 160862091 15.5
Total: 1036346657 100.0

(P): Provisional
Source: State/UT Tourism Departments.
Note: *Figure for the state has been estimated on the basis of All India Growth Rate.
2.5.2 Month wise Foreign Exchange Earnings from Tourism in India

Since tourists are acclimatised to the cold weather the influx of tourists is greater in the winter months of January and February. Tourism is a
seasonal business and the sales dip in the months of May and September. In May domestic tourism sales go up due to the holiday season.

### 2.5.3 Share of Top 10 Countries and India in World Tourism

**TABLE 15**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>International Tourist Arrivals <em>(in million)</em></th>
<th>Percentage (%) Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>France</td>
<td>83.0</td>
<td>8.02</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>57.7</td>
<td>5.57</td>
</tr>
<tr>
<td>4</td>
<td>Spain</td>
<td>57.7</td>
<td>5.57</td>
</tr>
<tr>
<td>5</td>
<td>Italy</td>
<td>46.4</td>
<td>4.48</td>
</tr>
<tr>
<td>6</td>
<td>Turkey</td>
<td>35.7</td>
<td>3.45</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>30.4</td>
<td>2.94</td>
</tr>
<tr>
<td>8</td>
<td>UK</td>
<td>29.3</td>
<td>2.83</td>
</tr>
<tr>
<td>9</td>
<td>Russia</td>
<td>25.7</td>
<td>2.48</td>
</tr>
<tr>
<td>10</td>
<td>Malaysia</td>
<td>25.0</td>
<td>2.42</td>
</tr>
<tr>
<td></td>
<td>Total of Top 10 countries</td>
<td>390.9</td>
<td>37.76</td>
</tr>
<tr>
<td></td>
<td>India #</td>
<td>6.6</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>637.5</td>
<td>61.60</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1035.0</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Provisional, N.A.: Not Available

# Excludes nationals of the country residing abroad.

Source: UNWTO Barometer April 2013.

The country which is a major tourist attraction worldwide is France followed by Spain and Italy. In spite of its varied attractions India’s share is a mere .064% compared to France at 8.02%.
2.6 Types of Tourism

Tourism can be classified on the basis of the main places and destinations the tourists visit. These places reflect their interest and desire to experience firsthand their areas of interest. The main types of tourism are -

2.6.1 Heritage Tourism

Heritage tourism is defined as “travel undertaken to explore and experience places, activities, and artifacts that authentically represent the stories and people of the past and present”. It is oriented toward cultural heritage of the tourist location. It involves visiting historical or industrial sites, religious travel or pilgrimages. India is well known for its rich heritage and ancient culture. The country’s rich heritage is amply reflected in the various temples, majestic forts, pleasure gardens, religious monuments and museums, which are citadels of civilisation. All these structures form the products of heritage tourism.

2.6.2 Adventure Tourism

Travel for the aim of exploration or travel to remote, exotic and possibly hostile areas is known as adventure tourism. With tourists looking for different options, adventure tourism is recording a steady growth. Adventure tourism refers to performance of acts which require physical efforts and some degree of risk and danger. The activities include mountaineering, trekking, bungee jumping, mountain biking, river rafting, and rock climbing.

2.6.3 Ecotourism

Ecotourism, also known as ecological tourism, is travel to natural areas with a view to appreciate the cultural and natural history of the environment. Ecotourism does not disturb the balance of the ecosystem. It creates economic opportunities that make conservation and protection of
natural resources advantageous. It involves travel to destinations where flora, fauna and natural phenomena are primary attractions. Ecotourism also minimises wastage and the environmental impact by responsible tourists. It can be one of the ways of preserving local culture, flora and fauna and other natural resources.

2.6.4 Rural Tourism

Rural tourism showcases rural life, art, culture and heritage of rural locations, benefitting the local community economically and socially as well as enabling interaction between the tourists and locals for a more enriching tourism experience. Rural tourism is multi-faceted and may entail farm/agricultural tourism, cultural tourism, nature tourism, adventure tourism, and ecotourism. Rural tourism has certain characteristics: it is experience oriented; locations are sparsely populated; it is predominantly in a natural environment; it meshes with seasonality and local events; and it is based on preservation of culture, heritage and traditions.

2.6.5 Wildlife Tourism

Wildlife tourism, one of the fastest segments of tourism, involves travel to different locations to experience wild life in natural settings. Due to its varied topography and distinctive climatic conditions, India is endowed with various forms of flora and fauna and it has numerous species of birds, mammals, reptiles, amphibians and plants and animals.

To tap the potential of wildlife tourism, the government has launched some wildlife packages for travelers. Wildlife Tourism in India includes wildlife photography, bird watching, jungle safaris, elephant safaris, jeep safaris and camping in jungles.
2.6.6 MICE Tourism

MICE (Meetings, Incentives, Conferences and Exhibitions) tourism is also one of the fastest growing in the global tourism industry. It largely caters to business travelers, mostly corporates. It caters to various forms of business meetings, international conferences and conventions, events and exhibitions. Hong Kong, Malaysia and Dubai are the top destinations for MICE tourism. India is also making its presence felt in this segment.

2.6.7 Alternative Tourism

It is a type of tourism activity, sustainable in nature, which allows the tourist to directly experience the host culture and environment and provides possibilities for controlled nature-based and small scale activities. In alternative tourism, traditional accommodation units are preferred to hotels.

2.6.8 Medical Tourism

India is a very popular destination for medical tourism. This is because well qualified doctors and medical staff are available in India. Multispecialty hospitals with high quality standards are located in the major cities. Moreover the cost of medical treatment in India is much less than that of developed countries. So many tourists from abroad come only for medical and surgical treatments to India.

2.6.8.1 Wellness Tourism

Wellness tourism is regarded as a sub-segment of medical tourism. Here, the primary purpose is achieving, promoting or maintaining good health and a sense of well-being. India with its age old practise of Ayurveda, Yoga, Siddha, and Naturopathy, complemented by Indian philosophy, is a well-known wellness destination. Wellness tourism includes ayurvedic therapies, nature therapy, yoga and meditation.
2.6.9 Dark Tourism

Tourism undertaken to visit sites associated with significant sinister events, like battlefields, prison camps, or murder sites. There is a growing interest in such tourism but not much among Indian tourists.

2.6.10 Sun and Sand

This holiday is very popular and entails nothing more than relaxing near the beach enjoying sunshine. This type of tourism is very popular with Americans and Europeans. Indians are beginning to enjoy both Indian and foreign beaches.

2.6.11 Sports Tourism

Sports tourism refers to the visitors who visit a city to watch sports events. An example of this would be the Olympics Games. Each Olympic host city receives a large number of tourists during the Games. Football and Cricket also attract a large number of tourists to the host country during a big match. Wimbledon tennis tournament, French Open, US Open and the Commonwealth games are major sport tourism attractions.

2.6.12 Paleos Tourism

The prefix Paleo stands for old, ancient and prehistoric. The sites of Machu Piccho, Harappa, MohenJodaro and valley of kings in Egypt fall under this category. Tourists interested in ancient ruins, monuments visit Paleosites.
Chart No 2.7 Components of the Tourism Industry

Components of the tourism industry

- Attraction
- Accommodation and catering
- Tourist Information and guiding services
- Travel and tourism
- Tour operators
- Travel agents
- Transportation

2.7.1 Components of the Tourism industry

The Tourism Industry is the leading service sector industry. Its product is a composite service. As the chart above depicts a tour can be designed with the help of a natural or manmade attraction, transportation to reach this site, hotels to stay there, food arrangements, guide services and a tour operator to bring all these elements together. The tourism industry is primarily service and people oriented; it is made up of businesses and organisations belonging to various other industries and sectors. It is the interplay among these businesses and organisations/persons which offer the “travel experience” to tourists. The tourism industry comprises hospitality (related to accommodation and dining), travel (transportation services through different modes), and tourism counter staff and guides etc to deliver services and products to tourists. The components of the tourism industry are shown in the chart below -
2.8.2 The Travel Agent

In the present research study the marketing strategies of Tourism companies are being studied so it is important to review the role and responsibilities of tourism companies, tour operators and travel agencies. The role of the tourism companies is crucial as they act as travel agent and tour operator in the conduct of tours and travels.

The Travel Agent

1. Provides advice on destinations and hotels suitable to the customer.
2. Does bookings and issues tickets to the customer.
3. Advises the customer on immigration, visa and health issues.
5. Takes money on behalf of the tour operator.
Louis Harris and Associates have developed the following definition of a travel agent in the Travel Weekly magazine of New York.

“A travel agent, besides selling prepaid package tours, also prepares individual itinerary. He arranges for hotels, motels, accommodation at resorts, meals, sightseeing, transport of passengers and luggage between terminals and hotels; furthermore, he can provide the traveler with a host of other information (for example, on rates, quality and so on) which would normally be hard to get. The travel agent is paid for his services through commission. For example, if a travel agent reserves an air ticket or makes a reservation in a hotel for his client, he gets paid by the carrier or hotel in the form of a commission. In short, a travel agent saves the customer both time and money.”

There are two types of travel agents: wholesale and retail.

A wholesale travel agent, or ‘wholesaler’ as he is called, specializes in putting together tour offerings, which are marketed to the public through a network of retail agents or airlines. He does not deal directly with the customer unless he also operates at retail level. Wholesalers may contract with a tour operator for all or only certain land arrangements.

A wholesale travel agent may design tour packages marketed under his agency’s name, or he may take packages already assembled by a ground operator and combine them with air or a surface transportation to form new packages. The latter practice is more common in international tourism. It eliminates negotiations directly with individual vendors — hotels, transport operators, and guides. A foreign wholesaler who wishes to offer an India programme may find it more convenient to contract an Indian ground operator for all land arrangements and then add international air transportation between the point of origin and the destination and his own mark-up. The suppliers of such services are called inbound tour operators. In India, there is very little difference between wholesalers and retailers – Travel Corporation of India (TCI) for example acts as both as a wholesaler and a retailer.
The retail travel agent or ‘retailer’ sells travel services directly to the customer. He represents or acts as the agent for airlines, cruise lines, railways, hotels, car rental firms or sometimes for the wholesale travel agencies mentioned above. Most of the established travel agents in India hold appointment from International Air Transportation Association (IATA).

The distinction between a wholesaler and a retailer is largely theoretical. A retail agent may design custom tours for individual clients by assembling prepaid, prearranged packages, the basic services requested by the prospective traveler.

2.9 The Working of Tour Operators

A “tour operator” is responsible for delivering the services. Some tour operators own buses, hotels or other facilities or these may be obtained from contractors such as specific hotels, bus companies, restaurants, resorts, attractions, car rental companies or other tour operators. In some cases, tour operator’s offerings are developed for, and marketed directly to the general public. In others, they are designed as a package tour to the specification of a wholesale travel agent who markets them under his agency’s brand name through his own network of retail agents and/or through airlines. Airlines too have their tour offerings designed by travel agents who use their airline.
2.9.2 The Tour-Operator

A tour operator normally offers a variety of packages which, collectively, are known as “tour programmes”. Packages may be for individuals or groups and may be independent (without escort) or escorted (with escort). Services that may be included in a package by a tour operator include transportation to the destination or destinations, transfers, overnight accommodations, certain or all meals, sightseeing and/or admissions, and car rental.
Chart No 2.10. Tourism Components and Distribution Chain

Support Services (Private Sector)
- Travel Trade Press
- Financial Services
- Guide Services
- Tourism Training Institutes
- Marketing Support Services

Producers of Tourist Services
- Carriers
  - Airlines
- Shipping Services
- Railways
- Roads
  - (Coach, car taxi hire)

Accommodation
- Hotel, Motel, Guest House Houses
- Villas Apartment
- Camps, Caravan sites etc.
- Theme Parks

Government Services
- National Tourist Bodies
- State and Local Tourist Organizations
- Visa and Passport Organizations

Tour Operators
- Travel Agents
- The Tourist
2.11 Legislation to Regulate Travel Agencies

Many governments including those of USA, UK, Japan, and Singapore have enacted a legislation to regulate working of travel agencies and to protect the customers. The regulations stipulate that a licensed travel agency establishment must have trained staff, have minimum capitalization and buy insurance for consumer protection. The laws to regulate travel agencies were enacted in recent years as several large agencies in these countries declared bankruptcies leaving their clients high and dry in foreign lands.

India has no legislation to regulate and license travel agents so far. Anyone with an office and booking facilities can become a travel agent. In India they are governed only by the Shop Act. As such entry into this business is easy.

2.12 Marketing Strategies for Tourism Companies

An effective marketing strategy for services identifies an organization’s key service and people strengths and creates a customer offer based on leadership in knowledge, skill and sector experience. The aim is to differentiate the organization’s services and demonstrate their strategic value to the customer. The strategies can be looked into after noting the service marketing mix.
The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.
2.12.2 Product:

In case of services, the ‘product’ is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

2.12.3 Price:

Pricing of services is tougher than pricing of goods. Goods can be priced easily by taking into account the raw material costs. In case of services attendant costs - such as labor and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

2.12.4 Place:

Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

2.12.5 Promotion:

Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer.
Thus, service providers offering identical services such as airlines or hotels and tourism companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

2.12.6 People:

People are a defining factor in a service delivery process since a service is inseparable from the person providing it. Thus, a tour becomes memorable as much for the Tour guide as the sightseeing places. Consequently, customer service training for staff has become a top priority for many tourism organizations today.

2.12.7 Process:

The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blueprint which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff. It is most common in the air hostesses’ greeting on emplaning.

2.12.8 Physical Evidence:

Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus tourism companies have well designed waiting areas with strategically displayed travel posters, attractive brochures given away by counter salesmen while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.
2.13 Marketing Strategies for the Service Sector

In order to adopt an appropriate marketing strategy the companies are aided by the consideration of the following –

1. The Ansoff matrix
2. Gap Analysis
3. BCG Growth Matrix
4. The Tourism Area Life Cycle (TALC) Model
5. Generic strategies.

Chart No 2.13.1

2.13.2 The Ansoff Growth matrix

The Ansoff Growth matrix is a marketing planning tool that helps a business determine its product and market growth strategy. Ansoff's product/market growth matrix suggests that businesses’ attempts to
grow depend on whether it markets new or existing products in new or existing markets. The output from the Ansoff product/market matrix is a series of suggested growth strategies which set the direction for the business strategy. They are:

**Market penetration** - Market penetration is the growth strategy where the business focuses on selling existing products into existing markets.

**Market development** - Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets.

**Product development** - Product development is the growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to the existing markets.

**Diversification** - Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience.

### 2.13.3 Gap Analysis

The company needs to do a gap analysis before positioning itself in the market. Gap analysis is a useful tool for helping marketing managers to decide upon marketing strategies and tactics. Gap Analysis answers two questions - where are we now? and where do we want to be? The difference between the two is the GAP.
Gap analysis is a useful tool for helping marketing managers to decide upon marketing strategies and tactics. The Gap is the lacunae between where the company is at present and where it intends to reach. At some point a gap will have emerged between what the existing products offer the customer and what the consumer wants. That gap has to be filled if the organization is to survive and grow.

Marketing Gap Analysis is used to

Decide on the investment needed to expand a buyer offering;

Seeking to merge or acquire another firm; or

Deciding to launch anew product or service business.

2.13.4 BCG Growth Share Matrix

The BCG growth share matrix was developed by Henderson of the Boston Consulting Group in 1970’s. BCG analysis is mainly used for Multi Category
and Multi Product companies. All categories and products together are said to be Business portfolio of the company.

Chart No 2.13.4 BCG Growth Matrix

2.13.5 The BCG Classification

In the BCG Matrix two key factors are considered – The Relative market share and market Growth rate.

Relative Market Share – This is the market share of the business in the market as compared to its competitors and overall product / category.

Market growth rate – The growth rate of the industry as a whole is taken into consideration from which the growth rate of the product is extrapolated. This growth rate is then pitched on the graph

Thus by having 2 basic but at the same time very important factors on X axis and Y axis, the BCG matrix makes sure that the classifications are concrete. Calculating the Market growth rate comprises of both industry growth and product growth rate thereby giving a fair knowledge of where
the product stands in comparison to the Industry. The market share on the other hand comprises of the competition and the product potential in the market. Thus when we consider growth rate and market share together, it automatically gives us an overview of the competition and the industry standards as well as an idea of what the future might bring for the product. Once the businesses have been classified, they are placed into four different quadrants of the matrix. The quadrants of the matrix are divided into

**Cash Cows** – High market share but low growth rate (most profitable).

**Stars** – High market share and High growth rate (high competition)

**Question marks** – Low market share and high growth rate (uncertainty)

**Dogs** – Low market share and low growth rate (less profitable or may even be negative profitability)

### 2.13.6 Marketing Strategies for each segment

On the basis of this classification, strategies are decided for each Product. Let’s discuss the characteristics and strategies of each quadrant in detail.

**Cash Cows**– The cash cows are the most stable for any business and hence the strategy generally includes retention of the market share. As the market is not growing, acquisition is less and retention is high. Thus customer satisfaction programs, loyalty programs and other such promotional methods form the core of the marketing plan for a cash cow product.

**Stars** – All types of marketing, sales promotion and advertising strategies are used for Stars. This is because in cash cow, these strategies have already been used and they have resulted in the formation of a stable cash cow. Similarly in Stars, because of the high competition and rising market share, the concentration and investment needs to be high in marketing activities so as to increase and retain market share.
**Question Marks** – As they are new entry products with high growth rate, the growth rate needs to be capitalized in such a manner that question marks turn into high market share products. New Customer acquisition strategies are the best strategies for converting Question marks to Stars or Cash cows. Furthermore, time to time market research also helps in determining consumer psychology for the product as well as the possible future of the product and a hard decision might have to be taken if the product goes into negative profitability.

**Dogs**– Depending on the amount of cash which is already invested in this quadrant, the company can either divest the product altogether or it can revamp the product through rebranding / innovation / adding features etc. However, moving a dog towards a star or a cash cow is very difficult. It can be moved only to the question mark region where again the future of the product is unknown.

**2.13.7 Tourism Area Life Cycle (TALC) model**

In his 1980 article, Butler proposed a widely-accepted model of the lifecycle of a tourist destination. He contended that every tourism destination goes through four phases and then comes to the end of its usefulness.
2.13.9. Stages in TALC model

The basic idea of Butler’s 1980 Tourism Area Life Cycle (TALC) model is that a destination begins as a relatively unknown place and visitors initially come in small numbers restricted by lack of access, facilities, and local knowledge, this is the Exploration Stage.

As more people discover the destination, the word spreads about its attractions and the amenities are increased and improved -this is the Development stage. Tourist arrivals increase and Stagnation level which involves reaching social and environmental limits follows. The rise from Exploration to Stagnation often happens very rapidly, as implied by the exponential nature of the growth curve.

The possible trajectories indicated by dotted lines A-E in the figure are possible outcomes beyond Stagnation. Examples of things that could cause a destination to follow trajectories A and B toward Rejuvenation are technological developments or infrastructure improvements leading to
increased carrying capacity. Examples of events that could cause a destination to follow trajectories C and D are increased congestion and unsustainable development. The trajectory E is the likely path of a destination following a disaster or crisis.

2.13.10 Generic Strategies

These strategies are based on market research – study of the present market situation and the customer demands. This leads to an appropriate market segmentation and marketing strategy directed towards the target customer. Product differentiation in the case of Tourism is service differentiation i.e. a new tour, new destination helps in building up of this strategy. Generic Strategies depend on the strength of the company to sustain itself in a competitive environment.

2.14. Marketing Strategies for the Tourism Sector

As we have seen the Tourism service is complex and marketing it requires planning and appropriate implementation. All the tangible and intangible elements in the marketing mix have to be used to sell the tourism service. The strategies mentioned above would help in marketing planning. The ground reality will however decide the planning and implementation of an appropriate marketing strategy.