

TRAVEL AGENCY AND HOSPITALITY MANAGEMENT

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UNIT II

Travel Agencies: Profile, Role and Function of a Modern Travel Agency- Government rules for getting approval- IATA rules and regulations for accreditation- Sources of Earning- Entrepreneurial Skill for Travel, Tourism and Hospitality Trade.

Travel Agencies: Profile, Role and Function of a Modern Travel Agency

A **travel agency** is a private [retailer](#) or [public service](#) that provides travel and [tourism](#)-related [services](#) to the [general public](#) on behalf of accommodation or travel [suppliers](#) to offer different kinds of [travelling packages](#) for each destination. Travel agencies can provide [outdoor recreation](#) activities, [airlines](#), [car rentals](#), [cruise lines](#), [hotels](#), [railways](#), [travel insurance](#), [package tours](#), [insurance](#), [guide books](#), [VIP airport lounge access](#), arranging logistics for luggage and medical items delivery for travellers upon request, [public transport timetables](#), [car rentals](#), and [bureau de change](#) services. Travel agencies can also serve as [general sales agents](#) for airlines that do not have offices in a specific region. A travel agency's main function is to act as an [agent](#), selling travel products and services on behalf of a supplier. They do not keep [inventory](#) in-hand unless they have pre-booked hotel rooms or cabins on a cruise ship for a group travel event such as a [wedding](#), [honeymoon](#), or other group event.

Types of Travel Agency

Travel agencies are basically categorized into two types- : **Retail Travel Agency** and **Wholesale Travel Agency**.

Retail Travel Agency

A retail travel agency sells tourists products directly to the public on the behalf of the products suppliers and in return get commissions. Some package tour is sold in two ways i.e., on a commission basis and mark up the price.

Definitions of Retail Travel Agency

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

According to SARC (1967), "retail travel agency business consists of the activities involved in selling tourism products/services directly to the tourists and performs normal functions such as issuing air tickets, making accommodation and transportation reservation, providing specialized services, and accepting and making payments."

The main source of the revenue for the travel agency is the commission received from the vendors. However, the rate of the commission differs from organization to organization an travel component to the travel component.

A travel agency receives appx. 95% of their revenue from the commission, and the remaining 5% from consultancy services and others.

Wholesale Travel Agency

Sometimes, a wholesale travel agency buys travel components from the vendor in bulk and resell them to other travel business originations.

Wholesale travel agencies assemble package holidays and sell them to clients through retail travel agencies. A typical package tour includes – air tickets, accommodation, and something other services may also be included in it such as entertainment, sightseeing, and sports activities, etc.

These packages are referred to as 'package tours' most of these tours include the services of escorts but a few are sold to people who wish to travel independently.

Now a question arises – How a wholesale travel agency generates profits?

Practically, a wholesaler who sells package vacations/tours is called a **Tour Operator**.

However, technically there is a difference between a wholesaler and a tour operator. A wholesaler who sells tourists products individually without assembling them into a package tour is called a **Consolidator**.

Mostly, these are specialized in particular product components such as air tickets, accommodation, and conferences, and conventions, etc.

Difference between Wholesale Travel Agencies and Tour operators

The wholesale travel agencies may offer or operate the package tours or may specialize in developing tours for inbound as well as outbound travelers. They are often referred to as [tour operators](#), but these two essentially different:

1. Wholesale travel agency does not sell directly to the public, while tour operators do sell directly to clients.
2. A wholesale travel agency usually combines, assembles and contacts for existing travel services to formulate a new travel product she has his own one or more components of travel product i.e. ' inclusive tours.'
3. Wholesale travel agencies are less inclined than tour operators to perform ground services i.e. handling agency or ground operators.
4. A wholesale travel agency may deal with one component of travel product while a tour operator offers a variety of tour programmes.
5. The size of the business is large in the case of tour operators in comparison to a wholesale travel agency.

Features and Importance of the Travel Agency

Travel agency plays an important role in the travel sector business. Some most important features and importance of the travel agency business are following as:-

1. An important link between the clients and principal suppliers.
2. Image-Builder.
3. Ensures rapid travel services.
4. Provider of authentic and reliable travel information.
5. A social a continuous process.
6. Establishes a good relationship with clients and vendors.

These are the most important features of the Travel Agency Business.

Functions and Services of Travel Agency

Today, Travel Agencies have been recognized as a vital component of [travel and tourism](#) and have become an integral part of the travel and tourism industry at globally. They account for more than 90% of international and 70% of domestic tourist traffic

Further, more than 60% of all travel agency revenues are derived from business travel. Most travel agencies sell both commercial and leisure travel but there are many travel agencies that only specialized in one sector or the other.

The operation of each travel agency is based on the scope of its activities and organizational size. Here we discuss the functions of a large scale travel agency that performs all types of activities such as Retail travel agency, wholesaling and tour operations, etc. The main function of a large-scale travel agency are:

Travel Information

Whatever the size of a travel agency, it has to provide necessary travel information to tourists. A travel agency must give up-to-date, accurate, and timely information regarding destinations mode of travel, accommodation, sight-seeing, shopping, immigration, passport, visa, customs clearance and procedure, health and security rules, and various permits required to travel in particular areas, etc.

Itinerary Preparation

The term tourists itinerary is used to identify the origin, destination and all the stopping points in a traveler's tours. It is a composition of various elements and designed after a detailed study of the market. Travel agencies prepare an itinerary for tour packages.

Airline Ticketing and Reservation

A travel agency sells a variety of tourism products. Airline ticketing and reservation is still a major source of revenue. Travel agencies perform a function of airline ticketing and reservation on behalf of various airlines.

Tour Packaging and Costing

Travel agencies prepare a tour package and sell them to tourists. The costing and pricing of tour packages depend to a large extent on the ability of travel agents as to how effectively he is able to negotiate with the principal suppliers.

Reservation

It is a very important function of all types of travel agencies. A travel agency consistently makes linkage with the accommodation sector, transport sector and other entertainment organizations to reserve rooms, and seats in the cultural programs and transportation.

Travel Insurance

Currency Services

Approved travel agency authorized by Govt. body provides currency exchange services to tourists.

Organization of Conference/Conventions

Travel Agency Linkages and Integration

Basically, a travel agency serves two types of clients: business travelers and leisure travelers. Incidentally, the requirements of these tourists are different and an agency has to assemble or purchase-related components from the principal suppliers to cater to their needs.

Essentially, travel agencies maintain close ties with Airlines, hotels, car rentals, banks, insurance companies, railways, government, trade associations, foreign [tour operators](#) and travel agents, ground operators, cruise companies, and tourism educational institutes.

1. The aims and objectives of the scheme for recognition of Travel Agent are to encourage quality standard and service in this category so as to promote tourism in India. This is a voluntary scheme open to all bonafide travel agencies to bring them in organized sector.
2. Definition: A Travel Agent is one who makes arrangements of tickets for travel by air, rail, ship, passport, visa, etc. It may also arrange accommodation, tours, entertainment and other tourism related services.
3. The application for recognition shall be addressed to the Additional Director General, Ministry of Tourism, .
4. The recognition as an approved Travel Agent shall be granted by the Ministry of Tourism, Government of India, New Delhi initially, for five years, based on the Inspection Report / Recommendations of a Committee comprising of concerned Regional Director and a member of TAAI.
7. The documents received from applicants after scrutiny in all respects will be acknowledged by the Travel Trade Division in respect of first approval and by the concerned Regional Director for renewal. The inspection for first approval / renewal shall be conducted by the Inspection Team within a period of sixty working days from the receipt of complete application.
8. The following conditions must be fulfilled by the Travel Agency for grant of recognition by Ministry of Tourism:-

i) The application for grant of recognition / renewal shall be in the prescribed form and submitted in duplicate along with the required documents.

ii) The travel Agency should have a minimum Paid up Capital or (Capital employed) of Rs.3.00 lakh duly supported by the Audited Balance Sheet/Chartered Accountant's Certificate.

iii) The Travel Agency should be approved by International Air Transport Association (IATA) or should be General Sales Agent (GSA) /Passenger Sales Agent (PSA) of an IATA member Airlines.

iv) The Travel Agency should have been in operation for a minimum period of one year before the date of application.

v) The minimum office space should be at least 150 sq. ft for rest of India and 100 sq. ft for hilly areas which are above 1000 meters from sea level. Besides, the office may be located in a neat and clean surrounding and equipped with telephone, fax and computer reservation system etc. There should be sufficient space for reception and easy access to toilet facilities.

vi) The Travel Agency should be under the charge of the Owner or a full time member who is adequately trained, experienced in matters regarding ticketing, itineraries, transport, accommodation facilities, currency, customs regulations and tourism and travel related services. Besides this, greater emphasis may be given to effective communication skills, knowledge of foreign languages, other than English. There should be a minimum of four qualified staff out of which at least one should have Diploma / Degree in Tourism & Travel Management from a recognized University, IITTM or an institution approved by AICTE. The owner of the firm would be included as one of the qualified employees.

9. The Travel Agency will be required to pay a non-refundable fee of Rs.3, 000/- while applying for the recognition and renewal of Head Office as well as each Branch Office. The fee will be payable to the Pay and Accounts Officer, Ministry of Tourism, in the form of a Bank Draft.

10. The recognition / renewal will be granted to the Head Office of the Travel Agency. Branch Offices will be approved along with the Head Office or subsequently, provided the particulars of the Branch Offices are submitted to Ministry of Tourism for recognition and concerned Regional Director for renewal and accepted by it.

11. The Travel Agency so granted recognition / renewal shall be entitled to such incentives and concessions as may be granted by the Government from time to time and shall abide by the terms and conditions of recognition as prescribed from time to time by the Ministry of Tourism, Government of India.

12. Even though the scheme of granting approval of recognition to service providers of Travel Trade is voluntary, in nature, there is a need to have a pro - active role of Ministry of Tourism and Travel Trade to ensure that more and more service providers seek approval and then service the tourists. There is also a

need 4 to educate the stakeholders as well as consumers against the potential risk of availing services through the unapproved service providers.

13. It shall be mandatory for an approved service provider of Travel Trade to prominently display the Certificate of approval of recognition given by Ministry of Tourism in the office by pasting it on a board or in a picture frame so that it is visible to a potential tourist.

14. The decision of the Ministry of Tourism, Government of India in the matter of recognition / renewal shall be final. However, MOT may in their discretion refuse to recognize / renew any firm or withdraw / withhold at any time recognition / renewal already granted with the approval of the Competent Authority. Before such a decision is taken, necessary Show Cause Notice would invariably be issued and the reply considered on merit. This will be done after careful consideration and generally as a last resort. Circumstances in which withdrawal is effected would also be indicated.

IATA rules and regulations for accreditation

What IATA accreditation can give travel businesses?

That said, let's outline the main benefits that IATA gives its accredited agents.

Airline ticketing

Being IATA-certified, travel agencies can issue airline tickets on behalf of airlines. This is the main advantage that eliminates the need for other middlemen, simplifies booking processes, and cuts expenses for both agents and airlines. With access to IATA's billing systems — the [Billing and Settlement Plan \(BSP\)](#) and the [Airlines Reporting Corporation \(ARC\)](#) — the accredited agents can complete the booking process by accepting payments and issuing tickets, which are basically contracts confirming payment settlement.

Industry recognition

IATA-certified agents must commit to industry ethics codes and meet general industry procedure standards. Working as an IATA agent also means including the IATA logo and branding on travel agents' premises and websites. All these factors combined enhance travel businesses' public image and give it a high-reliability score.

Credibility

As we mentioned, IATA thoroughly verifies a travel agency's business activity, its revenues, and the annual flow of customers. Once in possession of that stamp of approval, a business is no

longer examined by an airline or a hotel chain supplier. Hence, suppliers and agents can communicate directly. This significantly simplifies booking, confirmation, and payment processing procedures and eliminates extra effort for both sides.

Access to financial control

The access to almost 300 airlines opens up a gateway to a wide range of options to choose from. The [Billing and Settlement Plan \(BSP\)](#) enables agents to see the air flight distribution in real-time. Above that, with a discount on each ticket sold, every IATA-accredited agent can handle their own markup, earn a reasonable commission, or sell tickets on special conditions, attracting even more customers.

Now let's find out which accreditation options are available for travel agencies of different types and sizes, and even for self-employed agents.

Full IATA accreditation

The [full IATA accreditation package](#) is for travel businesses worldwide that support airline ticket issuing on behalf of suppliers. Additionally, the IATA agent number introduces the travel business to other IATA airline members with a single Sales Agency Agreement and provides access to IATA's BSP. As we touched on earlier, BSP is an invoicing and payment interface between the agent, airlines, and transportation suppliers.

The full accreditation also means that the agent follows standard ethics and behavior codes.

To get it, you must submit a stack of documents and jump through a few hoops. Let's have a look.

1. **Learn about the basics.** Read through the [Travel Agent Handbook \(TAH\)](#). It's a thoughtful guide for IATA members and applicants. Here you'll discover general standards, rules, and regulations applicable worldwide. Also, examine the local criteria adjusted to each country individually.

To apply for an IATA number, prepare these documents in the following order:

- **Proof of general business operations.** If you're a branch operator, the documents should include hours of dedicated services or a copy of the agreement to serve as such. For instance, you may attach records about offering a particular kind of tour. The same works for solo operators.
- **Proof of your qualifications.** Regardless of whether you have multiple agents or you are a solo operator, you must submit a business license or copies of any certifications, such

as agent training courses. Here you must indicate that your agents meet the professional criteria, according to local business standards.

- **Confirmation of prior travel agent experience.** If you've previously collaborated with an IATA accredited agent or airline, then include this record in your documents. If possible, attach a recommendation letter from that company or documentation of employment. Documents indicating a basic knowledge of airline and ticketing operations may be also attached.
- **Proof of financial viability.** Attach copies of all of the travel-business-related bank transactions for the past year. Include loan or insurance documentation if you have any. All these records should be placed in chronological order. Detailed bank account records with deposits and withdrawals for the previous fiscal year are also required.

Please note that all documents should fall in line with local criteria for your country as stated in the TAH.

2. **Be ready to obtain a bond.** If your accounts show that your present assets are below your liabilities, you may be required to obtain a minimum \$50,000 bond to insure your financial credibility.

3. **Register at the Customer Support Portal.** Use the [registration page](#) and proceed with the registration process. You must submit the personal contact information and set up a password.

4. **Submit the IATA application form.** Complete the application following the [guidelines](#) and submit it with other documents via the Customer Portal. Include the letters of recommendation, following the form instructions.

5. **Pay the registration fee and wait.** Once the application is received and processed by IATA, they will contact you for the next steps and confirm registration fees. Usually, the consideration period takes 2 weeks. For self-employed agents, the fee is \$165, while full or corporate travel agencies regularly have to pay \$360.

Sources of Earning- Entrepreneurial Skill for Travel, Tourism and Hospitality Trade.

Travel and tourism industry is a fast growing industry and hence it attracts many of the young entrepreneurs towards it. It is a very diverse industry and has got lots of opportunities for the passionate individuals. Travel and Tourism industry has been divided into various areas like accommodation, restaurants, transportation, entertainment etc. An entrepreneur is one who identifies the opportunity and starts a new business taking into consideration all the risks involved in it.

Travel and tourism industry is considered to be as one of the creative industry and hence the entrepreneur will be expected to provide creative but feasible options to the customers. In order to start a business in the field of travel and tourism there are certain skills required (Alos et al, 2014). The most important skills are as following:

Creative thinker: It is believed that the **tourism and travel industry** is one of the most creative industries, as the customers are most satisfied if they get something which is not being offered by any other company. So to provide such a service, the entrepreneur needs to be an out of the box thinker so that he can come up with some brilliant ideas to serve the customer.

Information seeking: As mentioned earlier, travel and tourism industry consists of various areas, and hence to start a business in this sector it is very important that the person has got an ability to fetch information from different sources. Until and unless all the information is collected, it will be very difficult to combine all the areas properly and start the business.

Systematic Planning: Systematic planning is the most important skill required to be a good entrepreneur. There is an involvement of so many things. If there will be no organized method to carry forward the things, there will be lot of confusion. Travel and tourism is the sector in which the ultimate goal is to satisfy the customers and for this the entrepreneur must be capable enough to take the things forward in a systematic manner (Hallak et al, 2013).

Problem solving: Any start up business comes across many problems, so the entrepreneur must possess the ability to handle the situation properly i.e. he must come out of a solution which is best for all. He should be able to understand the reason behind the problem and then give the solution for it.

Goal setting: The entrepreneur must be capable enough to set the goals for him as well as for the team. Until and unless, the goals are set the team does not get motivated to work. The goals also give the right direction to the employees to move ahead.

Interpersonal skills: In this industry there is lot of customer interaction involved and hence interpersonal skills need to be excellent. The team will be able to keep the customers happy if they themselves are happy, in order to keep them motivated, it is very important that the head of the company communicate with them properly (Phelan & Sharpley, 2011).

Influence: Specifically to be an entrepreneur for travel and tourism industry the person must be capable to plan the strategies which can persuade others. This is an industry where companies have to attract the customers towards their attractive tourism plans. So the entrepreneur must possess that quality of influencing others.

Management Skills: The last but not the least skill required is management skill. This is not a skill which is specifically needed for travel or tourism sector, but it is a skill which is must for any entrepreneur. He must be capable enough to handle all the things and should be able to get the things done efficiently by others (Jaafar et al, 2011).

So these are the traits and skills which will be required by a person to start a business in the travel and tourism sector. If I do a self-assessment for my skill set, more or less I possess all the qualities needed to work in a travel and tourism sector. My strengths to work in this sector are my interpersonal skills, creative thinking etc. Since I am not very good in seeking information, I may face some problem there, but I am sure I can work hard on that and will be able to get the required information. I have done a SWOT analysis in order to check if I am capable enough to start a travel and tourism business.