

# Chapter 1

## Structure of the industry

The tourism industry is very fragmented. Large commercial companies dominate the outbound travel sector whilst small specialist operators flourish behind the scenes. Tourist boards and strategic authorities are important for the thousands of small enterprises that provide accommodation, food, attractions and travel services to tourists in Britain. These organisations provide a focal point for marketing to incoming visitors and a voice on industry issues.

### Providers of travel and tourism services and products

The providers of services fall into four main groups: major private sector companies, government at local and national levels, other public and voluntary bodies and the mass of smaller enterprises that make up the bulk of the industry. As well as this there are over 180,000 self-employed owner operators. The table below gives an indication of the variety of providers.

### Components of the travel and tourism industry

It may be that when we go on holiday we just pack our toothbrush and violin and hope for the best. Many young people do just that and enjoy themselves. The famous writer Laurie Lee simply got up on a midsummer morning, collected his violin and went off to walk across Spain.

Others will prefer to be more organised and may arrange a package holiday through a travel agent. Whatever method one uses to become a tourist, we will make use of at least some facilities or services provided by businesses either directly or indirectly. The most likely initial contact for the package holiday tourist will be the travel agent. The travel agent however will be selling holidays on behalf of a tour operator, who in turn will have bought accommodation and airline seats from principals, a name often given to the owners of the products such as hotels and airlines, railways and ships. When on holiday we will make use of hotels, cafes and visit attractions or admire the scenery of lakes, mountains and rivers. There are also a number of financial services which we may use such as banks and insurance.

Many of these businesses do not deal exclusively with tourists, in fact for some of them tourists is a minor part of their business. Banks for example provide services for tourists as do insurance companies but they also provide the same services to anyone else. American Express provide a crucial service to a holidaymaker but will provide the same service to a businessperson en route to another country. The same can be said for transport.

<b>Travel Agent</b>	<b>Lunn Poly</b> <b>First Choice</b> <b>Going Places</b>
<b>Tour Operator</b>	<b>Thomson</b> <b>Kuoni</b>
<b>Transport</b>	<b>One Rail</b> <b>National Express</b> <b>BA</b>
<b>Accommodation</b>	<b>Great Western</b> <b>Savoy</b>
<b>Catering</b>	<b>Burger King</b> <b>Kentucky Fried Chicken</b>
<b>Attractions</b>	<b>London Zoo</b> <b>Alton Towers</b>
<b>Support Services</b>	<b>Guides</b> <b>Baggage Handlers</b>
<b>Tourist Organisations</b>	<b>Visit Britain</b> <b>ABTA</b>

## Distributors

Travel agencies play an important role within the UK travel and tourism industry. They are the retail arm of the industry, selling a wide range of holiday products and travel services to the public. As with other types of retailing there is a wide range of travel agents from the sole proprietor to the large multiples. This resource provides an introduction to the work and service provided by travel agents.

## Travel agents

In Britain there are about 7000 travel agents, about 5000 of which belong to the Association of British Travel Agents. The smaller agents are more likely to belong to the Association of Independent Travel Agents. The biggest travel agents in the UK are Lunn Poly (now Thomsons), Thomas Cook and Going Places.

The main function of a travel agent is to sell holidays on behalf of tour operators. They also sell transport services on behalf of airlines, coach and rail companies as well as accommodation. Many sell additional services such as entertainment and theatre tickets, travellers cheques and guided tours.

### The role of the travel agent

- Selling prepared package tours, preparing individual itineraries and guided tours.
- Arranging transport, selling airline tickets, rail coach, cruise trips and car hire abroad.
- Arranging hotel accommodation, sightseeing trips and transfers of passengers between terminal and destination.
- Providing and advising on Insurance cover and visa requirements, travellers cheques and passports.
- Providing information and advice on timetables, hotels and local taxes etc.
- Handling complaints from customers and dealing with the tour operator/principal.
- Advising clients on their holiday requirements

Travel agents earn their living by commission. Every time they sell a product or service they get a percentage of the price paid by the customer. The percentage varies but is generally between 1% for travellers cheques and 10% for a package holiday. Insurance companies pay higher commission, sometimes as much as 40% of the premium. In the UK travel agents tend to be reservation agencies, relying on the tour operators brochure and advertising to promote the product or service. This differs from the North American agencies where the advisory role has greater prominence.

### Types of travel agents:

Travel agents vary considerably in size, structure and working practice and fall mainly into three categories.

**Independents** - single, owner-managed with only one retail outlet. These often form a consortium to help each other increase business by sharing marketing, technology and booking systems

**Multiples** - companies that operate a chain of retail outlets under a single brand name. Multiples normally have regional offices where they try to build

up a personal service although they do lack flexibility in selling conditions due to vertical integration.

**Example:**

**First Choice:**

Agents Travel Choice, Bakers Dolphin and Holiday Hypermarket are part of the same company as tour operators First Choice Holidays, First Choice ski, Citalia, Eclipse, Flexiski, exodus, Waymark, Hayes and Jarvis, Longshot Golf Holidays, Meon Villas, Sovereign, Sunquest, Sunsail, Unijet, 2wentyys and Island Cruises.

**Miniples** - Companies with a small number of branches in a particular geographical region.

**A multiple travel agent - Lunn Poly (now Thomson)**

Lunn Poly is one of the UK's biggest travel agents, with around 800 Holiday Shops throughout the UK and employs around 6,000 people.

Although Lunn Poly is part of the Thomson Travel Group, they do sell other tour operators' holidays. The Lunn Poly shops stock about 450 different brochures covering 130 different suppliers although not all of these are on view to the public. The Lunn Poly travel agent chain offers a huge variety of products apart from the package holidays. One of the key selling points is the quality of customer service they offer. A recent Customer Satisfaction Questionnaire based on a sample of 83,000 customers, and independently analysed, gave Lunn Poly a score of 92 out of 100 for overall service quality. In the same survey, 99% of customers requiring assistance said that they had received all the help and advice needed.

In early 1997 Lunn Poly achieved the Investors in People accreditation for the training and development of our staff. Lunn Poly was the first major multiple travel agents to receive this mark of excellence.

Each Lunn Poly Sales Consultant undertakes at least twenty formal training sessions a year, covering a wide range of topics to enhance service to our customers. They also visit a range of resorts so they can pass on advice to customers from first hand experience.

**UK holidaymakers and the internet**

The use of the internet to find travel information has almost doubled over two years but still only six per cent of people who buy their package holiday actually make the transaction on line. Consumers are still far more likely to use the internet for researching information about their holiday than booking it, the 2002 Holiday Survey by MORI for ABTA has found, despite a dramatic increase over the last two years in the use of the internet for both activities.

ABTA/MORI surveys have monitored consumer use and attitudes to the internet for holiday research and booking since 1998, found that growth was initially slow, but has picked up dramatically in the last two years.

<b>Use of internet for:</b>			
	<b>1998</b>	<b>2000</b>	<b>2002</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Travel Info</b>	11	39	63
<b>Bought last package holiday</b>	>1	1	6
<b>Booked any travel e.g. flights, car hire, ferry crossings).</b>	-	17	39

Sixty-two per cent of those who used the internet as a source of travel information, said they found the internet convenient for the time they had available. But the top reason for those who decided not to book over the internet was that they had found better bargains elsewhere (19 per cent). A significant proportion (14%) also cited a preference for face to face advice.

ABTA estimates that 65 per cent of its members have websites, with even more using the net for making bookings for their customers.

ABTA President, Stephen Bath, said: "ABTA Members have been at the forefront of providing information and selling travel over the net. The growth we have seen over the last two years looks set to continue and members will continue to introduce innovative new products, but our members also know the value of good, reliable face to face service."

### ***Internet overtakes agency bookings***

*More people are now booking through the internet than going to a travel agent, according to a new survey by market research company Mintel.*

*A poll of 1,300 adults revealed that in the past 12 months, 33 per cent booked holidays through the internet, while 32 per cent visited their travel agent. The other bookings went either direct to a tour operator, through teletext, newspapers and magazines.*

*The figures are thought to be heavily weighted by the huge growth in no-frills flights, which are almost exclusively booked over the internet.*

*Co-op Travel general manager, commercial, Mike Beaumont, speaking at a TravelMole Fast Conference in London, addressing new business opportunities for agents and operators, said the value of the package holiday was being underestimated.*

*"I don't think people realise when they book with a no-frills airline that they are not covered in the event of a failure," he said. "The prices may look very attractive, but*

*in reality the average cost of a no-frills airline seat is £140, which is a considerable amount of money.*

*“Look at how the tour operators looked after customers in the Caribbean during Hurricane Ivan. Operators also offer an enormous amount of flexibility for customers.”*

*The Mintel survey follows admissions by Thomson and Thomas Cook that they are considering cutting back on the number of travel agents, particularly in the south-east, following an increase in internet bookings.*

*Thomas Cook managing director of sales Steve Finlan said: “The number of people booking over the website is still relatively small, but it has increased by 400 per cent in the past two years and customers are more internet savvy in the south-east.”*

**Source: Travel Mole**

## **Business travel agents**

There are fundamental differences between a business trip and a leisure trip but the components are similar - travel agent - transport - accommodation - transfer agents - entertainment. The level or quality, however, differs considerably. A businessperson may have to make a business trip at very short notice, even hours, the arrangements with the travel agent will be done by fax, phone or email, tickets can be picked up at the airport and as far as accommodation is concerned, it will need to be of a high quality, if only to impress prospective customers or maybe even government officials. Similarly the entertainment whether it be a golf course or a night club will often be used to relax while talking business and the prospective customer will expect good quality care.

To deal with business requirements, there are a number of specialist business travel agents. A business travel agent differs from a leisure travel agent in several ways. Overseas trips may need to be arranged in hours so the agent will be prepared for such emergencies. In return for arranging such trips at short notice, many companies will be contracted to organise all their overseas trips via one travel agent who will deal with ticketing, transfer and accommodation.

## **Location of travel agents**

It is most unlikely but not impossible that a travel agent will be located above a retailer or in a suburban area. This applies in particular to leisure travel agents. The other type of travel agent, the business travel agent, has different location requirements as it deals with different types of customers who are more likely to contact them by telephone or fax than in person.

Leisure travel agents, in common with other businesses, have location requirements, which are essential to the efficiency and subsequent economic success of the business. The important location factors for travel agents are -

1. They need to be based where prospective customers have easy access. This often means that they are located where there is a lot of passing trade. In the High Street they can be visited by customers just as easily as they can go to Woolworths or Marks and Spencer.
2. Cost is an important factor. Agencies such as Lunn Poly or Going Places are able to pay the high rents required for such sites but smaller agencies cannot always afford these high rents and will often be located just off the High Streets.
3. A travel agents' front window is a major advertising venue. The window will display a number of postcards showing last minute bargains, local trips and other material of interest to prospective customers.

A leisure travel agent therefore will locate at the most central location, which is economically viable.

Some of the smaller travel agents specialise in particular types of holidays or special interest holidays where competition is not so fierce. For example a sports travel agent who sells tickets for the World Cup in France in 1998 will deal mainly by telephone and post from customers all over the country.

A business travel agent, as the title suggests deals with business people's travel needs which can range from a trip to the capital city or anywhere abroad. This can often be at short notice. There may not be time to browse the internet or visit an agent so a message with the requirements is faxed and some agents are so efficient that tickets etc are returned in minutes. Businesses can open credit accounts and will usually deal with one business travel agent thus enabling both parties to get accustomed to each other's needs. As the main method of communication is the telephone, e-mail or a fax machine, the business travel agent does not need to be located in the High Street.

### **Business travel management**

In 1967 six business travel agents, feeling themselves insufficiently represented by their existing national association, founded the Guild of Business Travel Agents. In that time, the GBTA has changed beyond all recognition, and in 2005 became the Guild of Travel Management Companies (GTMC), extending its functions way beyond mere representation into active crusading on behalf of the business traveller community as a whole, at the same time creating the new profession of 'business travel management'.

Business travel management is now recognised as a career in its own right, with a professional qualification created by the GTMC - the 'Certificate in Business Travel' (CBT) - now guiding the next generation towards future leadership roles in the industry. With the Guild's membership now including all the leading multiples who handle business travel, most of the medium sized independent agencies and a number of smaller specialists, it is inevitable that this is where the industry's standards and trends are set.

### **The business traveller's champion**

It is the broad spread of agency membership that enables the GTMC collectively to dominate the business travel market, with some 80% of the share of agents' business air travel bookings. The total number of transactions in one year exceeds 9 million, over half of which are for air travel

This marketplace dominance is one of the reasons why the GTMC has the 'muscle' to tackle key issues on behalf of the business traveller. The other vital factor is the sheer experience of the Guild leadership and its Secretariat, enabling it to speak with knowledge and authority across the whole spectrum of travel topics. And it is the statesmanlike manner in which

it has tackled controversies and disputes that has won it wide respect from Government, European and regulatory authorities, so much so that it is now routinely consulted by them.

### **Buying power**

Like all other cost items, business travel comes under tight scrutiny and the GTMC has taken positive steps to ensure that its members cannot be undersold in the provision of quality travel and accommodation for corporate travellers.

The GTMC Hotel Guide offers special rates at an extensive range of hotels worldwide; whilst exceptional value-for-money prices are offered through Guild agencies by car rental partner Avls.

### **The leading edge of technology**

Technology has played a major role in increasing the cost-efficiency of business travel management, and the GTMC has kept pace with this by combining the expertise within its membership into an active and farsighted Technology Working Party. Hence Guild agencies are kept up-to-the minute with the rapid application of technology, as ATB's succeed air tickets, as ticketless travel becomes a reality, and as the internet develops into a usable tool for business travel management.

Given the massive complexity of travel routings and prices, plus the increasing congestion on the world's trunk routes, technology in the expert hands of professional business travel agents is clearly the only effective way of achieving cost-effective travel planning in the modern age.

### **Trained and qualified**

A number of years ago, the GTMC recognised that recruiting and developing business travel agency staff could not be left to chance; that, like other job functions requiring specialist skills, business travel needed clearly defined standards of expertise at each level of the task, plus training courses to achieve these.

Thus was conceived the CBT as the foundation of what has now become a four-level qualification - Introductory, Consultant, Supervisory and Management - for business travel agency operatives. Eventually it is hoped that an 'MBA in Business Travel' will complete the range, ensuring a place for 'business travel management' amongst the professions.

### **A catalyst for change**

In its intermediary role between the users of business travel and the providers of the travel and accommodation product, the Guild of Travel Management Companies is often able to bring about changes which will benefit customer and producer alike. For example it has long been apparent

that there is a need for more uniform standards in relation to hotel bookings.

It was natural for each hotel group to develop its own procedures and documentation but these differences do not sit comfortably with the advent of reservations via computerised Global Distribution Systems. The GTMC has played a leading role, in concert with its own specific hotel partners and the world-wide hotel industry as a whole, in developing consistent hotel booking procedures and standards and hence the increased efficiency of automated reservations.

### **Pan-European Guild**

As the European Union in Brussels began to exert increasing influence, the Guild of Travel Management Companies recognised that international influence would soon become essential if its voice was to be heeded.

Accordingly, the British Guild initiated a long and patient process of encouragement and persuasion resulting in the gradual creation of Guilds in other European countries, firstly Ireland and France, then Spain, Denmark, Italy, Holland, Belgium, Portugal and more recently Germany.. The Guild of European Business Travel Agents (GEBTA) acts through its lobbyists in Brussels to tackle vital pan-European issues, which affect the well being of the business traveller.

### **Seal of Quality**

The Guild of Travel Management Companies is far more than a mere association fighting for its own interests. It has become the industry's seal of quality, a guarantee of high standards whenever a Guild member agency is used. Indeed, it has become a force in its own right and a relentless champion of the cause of the business traveller.

Source: *Guild of Travel Management Companies*

## **The value of business tourism**

For the UK, this is immense.

- Congresses and conferences are worth £6.6 billion annually
- Exhibitions and trade fairs are worth £1.8 billion annually
- Incentive travel is estimated to be worth £165 million annually
- Corporate hospitality is estimated to be worth £700 million annually
- Individual business travel is estimated to be worth £6 billion annually

Business travellers on average spend three times as much as leisure visitors.

The other advantage business tourism has is that it is year round, peaking in spring and autumn but with still high levels of activity during the rest of the year, thus maintaining full time jobs.

It is estimated that the sector employs around 530,000 people, both directly and indirectly. It has also been estimated that for every £30,000 of additional business tourism revenue, an additional job is created.

Although business tourism and leisure tourism have different set of statistics and have fundamental differences, they rely on the same physical infrastructure. Many of the hotels of seaside resorts such as Blackpool, Brighton and Scarborough which have holidaymakers during the summer months are dependent on conferences and exhibitions during other months. For example all the major political parties hold their conferences at seaside resorts bring £millions in income to the resorts.

## **The size and structure of the UK tour operating market**

### **What Is a tour operator?**

A tour operator is not dissimilar to the wholesaler in the food trade. An operator buys aircraft seats, hotel accommodation and other services or products required to make up a package holiday and sells them to the general public, traditionally through the travel agent but nowadays also directly to the public by various means including the internet. They make these purchases off principals in bulk which generates economies of scale, thus making savings which can be passed on to the customer. The essential link in this process of selling holiday products is the brochure which communicates the product to the customer but the internet can also now provide photographs and details of holidays as well as web cams in all parts of the world.

There is a wide range of tour operators within the UK. The largest ones have a wide portfolio of holidays to suit most tastes and communicate these through different brochures while the smaller operators tend to specialize in a specific type of holiday.

### **An analysis of UK-based tour operators**

According to official government statistics, there are 20,000 companies organising package trips abroad from Britain. Many run once a year coach tours but there are at least 2,000, which produce brochures and offer their packages to the general public. There are only 152 small tour operators who belong to the Association of Independent Tour Operators who include specialist operators to certain countries as well as activity and adventure companies. At a higher scale, there are the major operators who dominate the market such as Thomson, Airtours and First Choice.

A tour operator is a travel wholesaler who negotiates the purchase of different products such as airline seats, accommodation and entertainment and then

combine them to make a package. These are then advertised in a brochure which is distributed through travel agents or directly to potential buyers.

The tour operator therefore has three main roles;

- as wholesaler
- as negotiator and contractor
- as the main marketer of products and services.

Large tour operators usually sell a wide range of tours such as Summer package holidays, winter sun holidays, ski holidays, long haul travel and short breaks. They will have separate brochures for each of these.

Tour Operators plan, price, package and market inclusive foreign holidays. They are the 'manufacturing' element of the tourist industry. A Tour Operator is a travel wholesaler who negotiates the purchase of different tourism products, combines them to make a package, which is then featured in the operator's brochure and distributed to the consumer through retail travel agents. Some tour operators such as Thomas Cook and American Express are both wholesalers and retailers. Organising a package holiday is not a process that can be done overnight. There is normally a number of different organisations to deal with, some of which may lead to a long period of negotiations. It is no exception that organising a mass package holiday can take anything up to three years.

Careful planning and coordination are essential. Brochure printing is initiated early on in the process so that deadlines can be met. Printing a brochure is a major coordinating job involving several departments and outside contractors such as designers. The reserving of media space, in particular for the busy Christmas and January period has to be booked well in advance and will need to be carefully planned to coordinate with brochure availability at the travel agents.

A tour operator will, after selecting a destination put a package together. To provide the finished product the tour operator will have to organise accommodation, transport, visitor attractions, insurance etc. which are the components of the package holiday.

Identifying a likely destination

Comparison with existing markets

Deciding on accommodation, transport and duration of holiday

Design brochure

Negotiations with principals

Production of brochure

Delivery to travel agent

Sale of package holiday

The investment in a new destination can be very high and would include market research and marketing, a number of visits to study the area and negotiate the best deals before any returns can be hoped for.

**Task:** We generally regard tour operators as the Thomsons, Kuoni or First Choice etc., but as has been mentioned there are 20,000 businesses or individuals organising package holidays in the UK. Many of these are so small that to call them tour operators in the sense that we know a tour operator would not seem correct. However, theoretically a package tour includes transport and accommodation, which widens the term tour operator. Do some research in your local area and name at least one business or individual who organises a tour that includes transport and accommodation. List any similarities with a more conventional tour operator, for example do they sell coach seats through a travel agent? Also list the main differences with say any of those listed in the top ten above.

**The travel trade press:**

The two main trade papers, which are read by most travel agents, are –

Travel Weekly

Travel Trade Gazette

All carry extensive advertising mainly by tour operators and are effectively being used as a communicator to travel agents.

National newspapers and magazines carry supplements on travel and tourism, which is used, by both the tour operator and customers.

Magazines on travel are gaining in popularity and include The Sunday Times TRAVEL

The Sunday Times TRAVEL is the best-selling magazine and is available on a bi-monthly basis. Other magazines, which can now be easily obtained at newsagents, include speciality magazines on countries such as France, Spain and Greece.