

# TRAVEL AGENCY MANAGEMENT

Post Graduate Diploma in Travel &  
Tourism Management : Paper - III

## CONTENTS

	Page No.
Course Introduction	
Unit 1 Understanding Tourism Operations (Inter-Sectoral Linkages)	5
Unit 2 Respecting Resident Concerns in Tourism Operations and Development	11
Unit 3 Quality Management and Customer Care	17
Unit 4 Managing Tour Operations – I (In-House Operations and Use of Technology)	24
Unit 5 Managing Tour Operations – II (Field Operations – Inbound and Outbound)	45
Unit 6 Managing Tour Operations – III (Field Distribution)	67
Unit 7 Managing A Tour: Escort	73
Unit 8 Managing Travel Agency Operations – I (Managing Internal Operations, Technology)	78
Unit 9 Managing Travel Agency Operations – II (Dealing With Principal Suppliers)	88
Unit 10 Managing Travel Agency Operations – III (Publicity and Promotions)	97
Unit 11 Managing Hospitality Operations: Organised Sector	103
Unit 12 Managing Front Office Operations	118
Unit 13 Managing House Keeping Operations	132
Unit 14 Managing Food and Beverage Operations	145
Unit 15 Managing Hospitality Operations: Unorganised Sector	162
Suggested Further Readings	169

- c) More leisure time was available, and
- d) Disposable incomes increased – resulting in higher standards of living as well as higher aspirations for travel.

These were the elements on which changes occurred virtually simultaneously. This not only created but also facilitated the need for a business called tourism, which consequently reshaped the economies of many countries. This vocation has brought about in a short time scale a change in the traditional method of holiday transport and accommodation. The national carriers, with the right to routes protected by law (Air India), initially ignored the potential of tourists. Hoteliers with more traditional clients simply felt that the two wouldn't mix and viewed the stirrings in tourist movements as a 'flash in the pan', i.e., a development soon to go away. Therefore, the tour operators took this as a new opportunity to take up the challenge. To charter a plane for all but some obscure affinity group was a new phenomenon. To package it with campers and hotels was completely a new dynamic idea and it all happened less than a few years ago. All these developments clearly indicate at inter-sectoral linkages without which cost effective packaging would not have been possible for tourism operations. You are already aware of the various constituents of the tourism system. At the same time you must remember that tourism is not a static thing but something very dynamic and also prone to immediate influences. If peace and economic prosperity has increased the volume of tourism, terrorism and war have marginalized tourism to the minimal.

### 1.3 INTER-SECTORAL LINKAGES

It is conventional wisdom that industry and commerce will boom at each end of any route, no matter, it seems where it starts or finishes. Evidences of this were seen in the boom tours of early railway bonanza. The same applies to holiday charter business. At the sunny end of developing charter routes – hotels, coach companies, bar-be-cues, beach bars, taxi firms and of course airports flourished and the supporting industry was quickly born. In those early days mystified and even frightened people looked at tour operators when they were explaining mysteries, dangers and wonders of far away places. At that time a seat on 250 miles per hour plane was a privilege. Without properly developed and efficiently utilised inter-sectoral linkages, these could not have become a commodity, as it is seen in the present scenario.

It is probably the advent of all-inclusive tour which necessitated the existence of linkages among different components of this sector. Essentially an all inclusive tour is a package of transport and accommodation and some other services which are sold as a single holiday for a single all inclusive price. This price is usually significantly lower than could be obtained by conventional methods of booking transport and accommodation separately from hotels and other suppliers.

Traditionally, only one destination was involved and normally an inclusive tour would not embrace the idea of touring different places. However, things have been changing as per the tastes and requirements of the consumers, i.e., the tourists. Today not just special but very-very special tours are packaged for different market segments under various types of tourism brands – from traditional cultural tourism to the most recent medicinal tourism. Then there are sub-types within these. For example, health tourism may have ayurvedic tourism with stay at an ayurvedic centre or surgery for an ailment plus leisure. The linkages, thus, go on expanding and the inter-dependence increases. This also makes quality management more difficult.

Even if you look at all the components which make up a conventional package tour and ask yourself to what degree, outside of choice, does a tour operator control the standards or quality that makes up a package holiday, you would find that following factors in the line of conventional package tour designing are beyond your control:

- i) Time spent at airports and services clients receive there,
- ii) Time spent on an aeroplane; and the operating standards and services,
- iii) The transfer to the hotel and back to airport,

- iv) Services at the hotel itself,
- v) The surrounding environment, bars, cafes, etc.,
- vi) The weather, and
- vii) Local conditions.

One could, of course, argue the finer points of tour operator's role in these services and naturally a wise tour operator will have some control on their quality. This difference or USP is largely due to the kind of linkages you are able to establish with other components. Today survival is no less competitive but those who are in "winning positions" know how to harness their resources innovatively against the bottom line. It is no doubt true that only such people have turned Miami into a summer as well as a winter resort destination attracting millions of visitors all through the year.

Innovation, value addition, product differentiation and positioning, branding, pricing, etc., i.e., the various essentials for today's marketing have further expanded the line of linkages in tourism. These linkages are no more confined to packaging but are required for product development as well as selling, etc. New concepts in business like customer care, quality management and concern for host aspirations have added to the managerial responsibilities in operating inter-sectoral linkages.

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#### **1.4 ELEMENTS IN TOURISM OPERATIONS**

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The various principal elements in tour operations and the linkages involved therein, to a large extent, are common to all tourism businesses. However, there are problems that need attention. For example, initially, airlines were not ready to become a part of inter-sectoral linkage structure but when they realised that tour operators could fill the empty seats, they started offering special fares for use, exclusively by tour operators, for combining them into all-inclusive tours. But here also situations vary from country to country and destination to destination. These fares may be offered on some selected sectors only. We have seen that as a result of globalisation when certain countries opened their economies the number of business travellers increased manifold. The hotels jacked up the prices and airlines withdrew discounts or certain other incentives that were offered to tour operators. The sufferer was tourism and the tourist. Tensions emerged within the tourism industry sectors with each crying foul for the other. Charges and counter charges were made by one sector against the other with each sector's association taking up its cause. This, in fact, was an example to illustrate that the linkages are not necessarily always smooth and many a times you have to depend upon the collective strength of the association to determine the nature of linkages.

To base future growth purely on the availability of willing bodies should not be the sole strategy in this business. For example, in search for a special quality – USP – of a product the tour operators sought exclusive properties, quality airlines, etc. but they later on realised that they have no patent on these facilities or standards and they aren't difficult to emulate. Through such practices, they can only be a short term advantage that can be gained. Therefore, they had not only to satisfy the changing demand of tourists but also to coordinate the outside variables which make up an attractive package. It was acknowledged that they are operating and trying to dominate an industry where most of the ingredients that go to make up the product are outside their control. These factors may include:

- a) Price,
- b) Volume,
- c) Brands,
- d) Airline service,
- e) Uncontrollable costs, and
- f) Computerisation and use of technology, etc.



Let us discuss briefly some such factors in relation to tour operators' business as a case study though they are applicable in other tourism businesses also.

a) **Price:** This is the most obvious area which concerns a tourist. Cutting the prices is easiest of all different marketing tasks. Reducing the price of a holiday can be done with a stroke of pen but its advantages would only be short term. Your strategy should be to control the cost and to deliver the holiday sale at a profit. This calls for a well directed and well targeted strategy while focussing upon the following areas:

- i) Volume of customers (tourists),
- ii) Frequency of purchases (by tourists),
- iii) Distribution channels of your product,
- iv) Foreign currency regulations, and
- v) Overhead controls and product/service analysis.

In a highly competitive business like tourism pricing decisions are not easy. And further operating price decisions are even harder to take. For example, while pricing your package the approach of price-cutting should not only outrightly be adopted but it should be given a more creative approach. Since value is the key consumer watchword defined not just by price but also by product image, both above and below the line, it is the expression and presentation of values that counts. This is why holidays need to be packaged to offer high-perceived value even if in fact the basic package has not been altered. This, in fact, is done through some value additions. The tourists perceive the price cuts with a different perspective, i.e., the cut price is the actual price and the so called original price was profit inflated.

b) **Volume:** Any knowledgeable tour operator will apprehend the fact that there are certain fixed/base costs which are not volume related, like the Managing Director's salary; computer technicians, office rentals, etc. These costs, however, are required to be spread over a large number of customers if your cost input is to remain competitive. For example, any tour operator carrying less than one million passengers will certainly have a higher per passenger cost than the consumer is prepared to pay unless the services/products are really unique and special. As a strategic tour operator you should know that higher volume of business can be achieved through large scale advertising and publicity for your company. It not only gives better ability to your customers to buy at competitive prices but it will also allow your advertising cost to be more meaningful. Not only this, it also establishes national brand awareness with profound effects on the willingness of retailer to display your product at their shelves. Therefore, volume shall be seen as a vital ingredient and factor in deciding the per-passenger cost input which could only be delivered and achieved by a well-directed strategy.

c) **Brands:** Concept and objective of branding is already discussed in MTM-6. Just to recapitulate, we can say that multi-branding, mainly serves two purposes:

- achieves more speedily the proper economic volume levels, and
- services the changing requirements of tourists more readily.

As a small tour operator you can create your own identity. For example, "Operator X", a small tour operator who specialises in Greek islands, could sell readily this special package. However, from the tour operation brochures produced for mass tourism he could not get much business. In comparison to him a large tour operator may not perform well for Greek islands market but may do well in mass tourism market. It clearly means that "X" has earned brand equity for the niche market. Therefore, you shall not allow your need for volume of business for the sake of economics to deny yourself access to these potentially important and yet more individual markets.

d) **Airline seats:** The one important component of your product, which in every sense of the world is a commodity, is the seat on an aircraft. Of course, there are preferred carriers; and yes, it is worth for airline to maintain high standards and reputation, but it is also true that only a small percentage of passengers carried by these airlines even would know the name and type of aircraft

they are booked on to travel. The cost of aircraft seats and, therefore, the profit of an airline will largely depend upon the relationship between the airline and the tour operators. At present 90-95% of leisure holidaymakers book themselves on airlines or accommodation through tour operators operating in their area of residence or work. But how long this will continue remains a question as the use of internet is fast affecting the marketing and distribution channels.

- e) **Uncontrollable costs:** Tourism industry is probably the only industry which has bent under so many pressures, like pressure of consumer bargaining; frequent fluctuation in currency value; that it shall prejudice the cost of fuel and prejudice the whim of government to increase local taxes and levy increased landing charges, etc. To overcome this, the principal service providers, be it an airline or a hotelier, give no guarantee for surcharges. A tour operator sets the prices of his products fourteen or more months before the arrival of his clients at destination. Therefore, when the principal supplier gives no guarantee on surcharges and tour operator has to sell his package so much in advance, linkages are bound to be stronger so as to avoid any confrontation related to price, quality or standard of services.
- f) **Linkages with technology providers:** If a person wants to travel by air he/she will need a ticket; which provides him/her right of passage and in return the airline needs to reserve a seat in his/her name. The person also needs to book himself/herself for a hotel room at the destination and hence, the hotel ought to really expect him/her. It is very difficult to imagine these economic transactions in a better-suited business environment related to the wonders of modern technology. To solve many travel and reservation related problems tour operators must develop and maintain linkages with manufacturer/suppliers of computers and designers of software required by them. Development and regular updating of Amadeus and Galello are remarkable examples of these linkages.
- g) **Quality management operations:** In the present globalised competitive business environment quality management is the key word for success in any business and tour operation is not an exception. You may be representing any sector of travel trade in your operation if this element of quality control or quality assurance is missing you cannot sustain in the market. Quality management is advised to begin with product design and shall remain as a continuous process all through the stages of product development up to post consumption stage. For instance, if you are a manufacturer or supplier of airline seats it is important for you to control the quality of your product not only in terms of its comfort, location, and convenience but also in terms of its sale, and related facilities and services like emergency landing facilities to combat terrorist or hijack situation, so on and so forth.

In your operations you shall ensure a high degree quality while preparing and presenting your products or services; failing which the result is dissatisfaction of passengers. This dissatisfaction will lead to multiplication of lost passengers through word of mouth bad publicity. Therefore, significance of quality management cannot and shall not be ignored in tour operation business.

- h) **Value addition in operations:** Gone are the days of monopolistic market conditions. Today, customer is well aware of the existence of alternative products and alternative suppliers. Therefore, to be a successful tour operator or manager in tourism business you must lay emphasis upon value addition to your operation. For instance, if you are a tourist transport operator and if you provide cold drinks to your passengers after every stopover for sightseeing or if you are a hotelier and you provide free transport for transfers of your groups, or if you are an airline operator you decide to add some recreational activities, e.g., fashion show, magic shows, etc., on board all this will add to the satisfaction level of your customers. All such value added activities offered by you will provide you with repeat as well as referred business.

Hence, value added services can be integrated both horizontally and vertically within other sectors of the tourism trade.

- i) **Trained service providers:** Tourism and hospitality being important components of travel trade are characterised by a common characteristic, i.e., man served by another man. This characteristic has overemphasised the significance of trained service providers. For instance, if you are a provider of tourist transport services, it is essential for you to provide a trained driver, assistant as well as a trained escort with the group. It is true that this trade is so diversified as are the training

- iii) Transportation,
- iv) Infrastructure,
- v) Superstructure,
- vi) Environment,
- vii) Socio-culture aspects,
- viii) Physical land use concern, and
- ix) Employment, prices, etc.

i) **Health and Security Concerns:** This is an important area which calls for special concern of the residents. If we look at vaccination routines being followed in our country as a normal procedure it clearly indicates at health hazards which comes with tourists, whether they are domestic or international. Today AIDS carriers are not only from other lands, but also from within our country. Surveys reveal that tourists coming from certain regions have a tendency to test positive for AIDS or other communicable diseases. While planning tourism operations you should place this residents' concern at the forefront. If precautions are not taken in this direction, consequences can be irreparable.

When a large number of tourists visit a place it is naturally exposed to security threats. When strangers come to your town, their background, intentions and plans are not known to you. Various acts of terrorism have proved this point beyond doubt. You must keep in view the security concerns of local residents. As a planner for tourism operations you must consider these concerns because losses as a result of lapses on either of these fronts would lead to disasters and destinations will earn a bad image. Once this happens, a lot of investment in terms of money and efforts will be required for its improvement.

ii) **Vehicle Parking Concern:** With any destination reaching stages of mass tourism, one of the immediate problems it faces is that of parking tourist vehicles. With increasing number of vehicles in urban cities, even residents find it difficult to have parking for their own vehicles. You cannot expect problem-free parking for your visitors. Hence, you should prioritise this concern of visitors whenever you are planning for tourism development. For example, in New Delhi, if you visit any one of the most frequented monuments, be it Red Fort, Qutab Minar, or Bahai Temple, you are bound to face parking problem. Not only this when these visitors go to district shopping centres they use parking space meant for or designed for local residents. This clearly opens the doors for hostility between hosts and visitors. However, if you have planned in such a manner that the parking concern has been taken account of then your destination would score a point. For example, today if you go to Shimla or Mussoorie or Nainital, the most crowded destinations by visitors, parking is a problem for both residents and visitors. On the other hand, when you go to Disney World which has a land area of approximately 9 acres, the built up area is only 2.5 acres, and remaining area is left open for parking of tourist vehicles. This means residents concern has been taken into account while planning it. Hence, We should also plan our attractions on the patterns of such established models which have shown examples of tremendous parking management. In fact, vehicle parking is very much an operational concern also. Congested parking areas can cause delays in tour operations.

iii) **Transportation Concern:** Transportation consideration is particularly important because it provides access to the places of tourist interest. You can classify local transportation system into three levels:

- 1) Trunk or main roads linking the provincial and larger urban centres to one another and the capital of state;
- 2) Provincial roads distributing traffic from the provincial centres to district centres of each province; and
- 3) Local roads providing a network of tracks connecting places of interest with provincial and district centres.

As a result of tourism development in any area residents concerns are more oriented towards level 2 and level 3. At this point local residents find that transportation resources available and meant for them are also used by foreign and domestic tourists. This makes the availability of transport for local people difficult. In return this creates unrest among them and finally tourists face the humiliation. To overcome this situation, transportation facilities and services should be planned and managed while giving leverage for a particular number of domestic and international tourists in your destination area. Moreover, length and width of roads connecting various points of interest for visitors, like, monuments, district centres, art galleries, museums, cinema theatres, etc. shall be planned carefully so that traffic movements remain smooth and do not cause inconvenience to the local residents. Therefore, residents shouldn't feel that due to increasing number of visitors' traffic jams have started taking place. On the other hand, visitors shouldn't feel disappointed due to traffic jams on every road in the place of their visit.

- iv) **Infrastructural Concerns:** The terms "infrastructure" planning refers to those forms of construction on or below the ground that provides the basic framework for effective functioning of development system such as tourism industry and urban areas. Adequate infrastructure is essential for the successful development of tourism in developing countries like India, which have serious infrastructural constraints. These areas may include transportation facilities and services, sewage disposal, drainage, electric power and telecommunication services, etc. If you look at this list you will agree that these services cannot be planned particularly for tourists. While planning them for local residents concerns of tourists/visitors must also be taken into account and while developing infrastructural facilities for tourists interests of local residents must be kept in view. For instance, when Neemrana Fort Palace was being developed by private developers after taking it on lease from Rajasthan Government, basic infrastructural amenities were missing. They developed not only roads, electric power, sewage and disposal system, water lines, telephone lines, gasolines but they also built schools and hospitals for local residents. This clearly indicates at the basic infrastructure of an area that serves general community and economic development needs can often serve tourism with only moderate expansion. In turn, infrastructure built or improved to serve tourism can serve general community needs. In fact, this multiple use of infrastructure with tourism helping to pay for infrastructure costs can be one of the socio-economic benefits of tourism. However, in some cases, such as, an isolated resort at Muketeswar, where there is no infrastructure, you will have to develop all required infrastructural amenities for tourists only.
- v) **Super-Structural Concerns:** In small destinations superstructure is designed for the usage of local residents and when large number of visitors visit them, these super-structural facilities get overcrowded. For instance, a bus or rail terminal is used by both local residents and visitors. As a result, there terminals are crowded and many undesired and unwanted experiences are experienced by all.

All these add to dissatisfaction of both the tourists and local residents have to bear extra cost of commodities which otherwise is affordable only to visitors. The line of contention here is that as a result of visits of affluent tourists to these small destinations cost of commodities go up which is largely due to the fact that vendors have to maintain décor, cleanliness and hygenity in and around their shopping centres to attract foreign tourists. Moreover, they have to pay commission to brokers, who lure the tourists to their shops from these district centres. Therefore, you should keep in view concern of residents from this perspective that shopping centres of local residents should be avoided for shopping by visitors and for this special shopping complexes must be planned and developed for tourists, e.g., Palika Bazar, Ansal Plaza, Sahara Mall, etc. Besides price rise, at many destinations, tourism also creates scarcities, Water shortage, electricity shortage and power cuts, shortages of essential commodities, etc. are attributed to tourist influx. You are already familiar with the concept of carrying capacity and applying it in your operations can be a good solution.

Not only this, even accommodation units shall be built out of residential colonies so as to escape from the chances of price speculation of land as well as inflation of prices of other related commodities in these residential colonies. Ancillary products of these accommodation units like restaurants, coffee homes, nightclubs, bars, discotheques, etc. should be developed keeping in view interests of local residents. If you keep entry fees for discotheques or swimming pool or health clubs of these accommodation units too high, local residents may feel alienated. In other

words, they will get the feeling that on their own land they are deprived from entry in these ancillary stations of the hotels.

It is at both levels, i.e., when you plan super-structural facilities or when you use them in your operations you should keep in view the feelings of local residents. This can be done by allowing them to participate not only in policy decisions but also by giving them proper training and education and if possible employment. This will help in creating a healthy environment and better relationship between the tourism industry and the residents or the host population.

- vi) **Environmental Concerns:** Tourism relies heavily upon the use of environment to a large extent in the area of development under consideration. If environment is exploited without caring for or giving proper leverage to the residents' concern, tourism operations are bound to be adversely affected. More particularly today, when people have become so much conscious about their health, they desire to have a green belt extending over large areas. Therefore, while planning any activity, you should carefully analyse the fact that to what extent it would disturb the eco-environment of that area. If it is at minimum level, you shall proceed but if it is of quite high level then consequences should be borne in mind while proceeding with such developments and consensus of local residents should be received before executing such plans.

Today hotels, the element which was believed to be the most polluting component of tourism has become eco-conscious (eco-tels) and they are adopting all precautionary measures to sustain the environment of the area where they are operating. The same kind of approach shall be adopted by other components of tourism industry. Hence, as a tour operator or travel agent you shall advise your clients and groups on environment-friendly programmes of local residents of the areas they are visiting so that when they arrive in these cities they are well versed with rules and regulation of environment friendly society. For instance, when you plan a visit to Singapore you are told by your agent/operator about cleanliness, hygenity and low degree of noise pollution being practised in Singapore. For example, if you are noticed throwing waste or shouting loudly on the roads fines are imposed. Air pollution is another aspect which the tourist transport operators should take care off.

- vii) **Socio-Cultural Concerns:** Modern tourists may not visit a destination for a single attraction, but he/she visits a mixed blend of attractions at the destination. Various types of cultural festivals related to local tradition and arts are one of the major attractions. Large religious festivals and pageants such as carnival in Rio de Janeiro, Mardi Grasin, New Orleans and Pera Hera in Kandy, Winter Festival at Beijing, Puri festival, Elephant Boat Race at Kerala and many more festivals of same kind which attract not only the foreign tourists but also the local residents. It, therefore, becomes important that concerns of local residents must be taken in to account while planning or organising such events whatever may be the size of activity.

It has been noticed globally that in large number of cases where tourism development has occurred along with it social unrest or friction has also emerged. For instance, in Fiji, Spain, Romania and at many more places, destinations and attractions have been developed keeping in view the interests, liking, dislikings and tastes of visitors and not that of local residents. As a result local residents have felt alienated with such development. For example, in Romania, nightclubs were developed only for foreigners and local residents were not allowed. The very first reaction of local residents was that all these attractions and activities have been developed at their costs or from the money that they have paid as taxes to federal governments. Therefore, it was argued that they couldn't be deprived of facilities which are built using the resources meant for them. This created social unrest among local residents and for some time this was an unpopular destination among foreign tourists.

Another significant activity which is catching up with both domestic and international tourists is gambling casinos. In developed countries, this doesn't carry much of the social difference but in case of developing country like India which is characterised as a conservative society wherein gambling is still a privilege of only 2-5% of society, it is still taken to be as social evil. Hence, while developing such a product you must respect residents concerns otherwise your product may have to face lot of social and political confrontation. By now you must have understood how important it is to underline the resident's concern from socio-cultural perspectives.

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### 2.3 CONCERN AT POST-PLANNING/IMPLEMENTATION STAGE

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Physical Land Use Concern is equally important because whatever facilities or services you plan in a destination they should be in line with the blue print or master plan of development for the region. In many cases it has been observed that when attempts were made by planners or developers to convert areas earmarked for public utilities or services like hospitals, schools, religious places, open parks and spaces for children; etc. into commercial establishments, like shopping cum office complexes or commercial recreational centre, objections were raised by Residents Association. However, even after this if you developed the desired facility for visitors; local residents shall always remain hostile to such developments. When tourists start coming to this area and they intend to mix up with local residents of the area, their cold reaction makes tourists uncomfortable. Though they utilise these services but the kind of interaction they expect wouldn't come up. Hence, it is advisable that you must plan physical land use of the area in such a manner that developmental activities take place in consent with that of local residents and experiences of tourists and visitors to that area would be pleasant and memorable.

Another important consideration while planning of physical land use of tourism development is to keep in view the personal privacy of residents. If you are planning a multi-storey shopping complex in front of a residential colony, you must keep in mind that it will naturally encroach upon the privacy of these residents. Moreover, the kind of nuisance this commercial development may generate also demands your consideration. The local residents will and are always concerned with post-development results both in terms of advantages it will render as well as the disadvantages it will bring to them.

Regular interaction with residents as a tourism professional can bear good results for your venture. Such regular interaction provides a common platform to both, the residents and developers of tourist facilities. Using this platform, the residents can raise their concerns and interests so as to enable developers or operators to organise their activities in such a manner so that both the parties are mutually benefited. Moreover, if activities are designed and executed in line with mutual coordination, probabilities of unrest or dissatisfaction are minimised. Therefore, it is advisable that residents' concerns must be borne in mind at both pre-planning and post-planning stages.

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### 2.4 TOURISM DEVELOPMENT BENEFITS TO RESIDENTS VIS-À-VIS ECONOMY

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Undoubtedly the unimaginable growth of international tourism has brought about rapid changes in terms of economic growth. Narrowing down the cultural gap and fostering universal brotherhood are the other projected benefits of tourism. However, World Tourism Organisation (WTO) has summarised highlights of tourism growth in 2000 as:

**"Tourism clearly counts as one of the most remarkable economic and social phenomena of the last century. It undoubtedly will keep this position for the century to come. Every year a bigger portion of the world population takes part in tourism activity and for the majority of countries tourism has developed as one of the most dynamic and fastest sector of the economy."**

The world has seen tourism as a challenge to enhance opportunities for both tourists and residents. Since 1950s the international tourist arrivals have increased by twenty times, i.e., number has gone up from 25 million in 1950 to 639 million in 2002. WTO's forecast predicts that this number would go up to 977 million tourists by 2010. It wouldn't be an exaggeration to say that across the world tourism ranks among top five foreign exchange earner in 83 countries whereas in not less than 38 countries tourism forms the backbone of their economies. As a result of these changes 8% of total export earnings of goods and services worldwide are contributed by tourism. Various factors which have facilitated this growth are increased availability of leisure due to specialisation of labour, lifestyle and work related changes, like flexi time, working from home, sharing of employment, last but not the least technological changes. It is very well said that travel and tourism will be as good as technology allows it to be. The benefits which tourism development strives for the local residents are manifold. It

not only improves economic condition of the local residents but also on socio-cultural front, the benefits for local residents are apparent. For instance, when tourism grows in an area, both the life partners get an opportunity to work in any of the trades related to tourism. This obviously enhances their purchasing power and thereby providing exposure to them which hitherto wouldn't have been possible. As a result of socio-economic development in the locality manifold changes and benefits come to the local residents. These benefits can also be seen in the form of regional development.

In fact, in MTM-10 you have studied the impacts of tourism on the local population. The best policy would be to avoid the negative impacts and encourage positive ones through your operations.

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## 2.5 LET US SUM UP

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Whenever any destination or any project has been developed while keeping in view the concern of residents, the destination has survived and sustained for a longer period on its Product Life Cycle (PLC). Moreover, it has the potentials for rejuvenation after reaching at the maturity stage. Tourism can deliver its goods or benefits to the economy as well as community if this activity is planned and developed in harmony with each other. If you respect the residents' concerns while designing your products, residents will take care of your customer by giving them an experience which will motivate them to repeat their trips to the area again and again as well as recommending it to other people too.

Cordial relations with the host population emerge by respecting their concerns and this ultimately benefits your operations.

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## 2.6 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer Sec. 2.2.
- 2) Refer Sec. 2.2.

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## UNIT 3 QUALITY MANAGEMENT AND CUSTOMER CARE

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### Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Concept of Quality Management in Services
- 3.3 Quality Management in Tourism
- 3.4 Caring for Customers in Tourism
- 3.5 Let Us Sum Up
- 3.6 Clues to Answers

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### 3.0 OBJECTIVES

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After reading this Unit you will be able to:

- explain the basic tenets of Quality Management,
- understand the significance of customer care, and
- handle customers' complaints.

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### 3.1 INTRODUCTION

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In this age of globalisation quality control and quality management hold the key to success for any organisation. In particular, this is true if you are in service-oriented industry where changes come rapidly and where guaranteeing satisfaction through quality product is a challenging task. In this Unit, therefore, emphasis is laid on aspects which help in producing, presenting and delivering quality/ services products to tourists. This can lure them to repeat their purchases or provide verbal publicity to your brand.

The Unit starts with a discussion on the concept of quality management and further links it up with customer care in relation to tourism operations.

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### 3.2 CONCEPT OF QUALITY MANAGEMENT IN SERVICES

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The definitions of quality have become increasingly sophisticated through the past two decades. The concept of quality as excellence has now been largely superseded by definitions emphasising upon quality issues related to production or delivery mechanisms. Also, a new dimension added to this is the perception of the quality by the consumers. Some present definitions confirm requirements for zero defects to relate quality with product and manufacturing specifications whereas others tackle quality from customers' perception and satisfaction level. We are also focusing upon the concept of quality management in this Unit as an important challenge being faced by tourism industry to reconcile the quality of services actually produced with that perceived by the tourists. This notion has given birth to a theoretical model, designed by Nightingale (1985), who identifies two qualities of the service offering as perceived by provider and that of the service received by the consumer. This has been successfully refined by Parashraman et al (1985) into 'gap model' identifying five discrepancies or 'gaps' which may develop in the service supply process and interface with the service experiences as shown in Table 1.



**Table 1**

Sl.	Designation	Location
1	Positioning	Between management perception of customer expectation and expectation themselves.
2	Specifications	Between management perceptions of customer expectation and actual service specified.
3	Delivery	Between the services actually specified and that actually delivered.
4	Communication	Between the service actually delivered and that externally communicated to customer (e.g., through advertisements).
5	Perception	Between the service quality perceived and that expected by the customer.

It can also be represented as a flow chart as is adopted by Brogowicz et al. (1990) which is termed as the 'gap' model of service delivery (Figure 1). Brown et al. (1990) have also attempted to study the difference between providers and consumers perception of service quality as shown in Table 2.

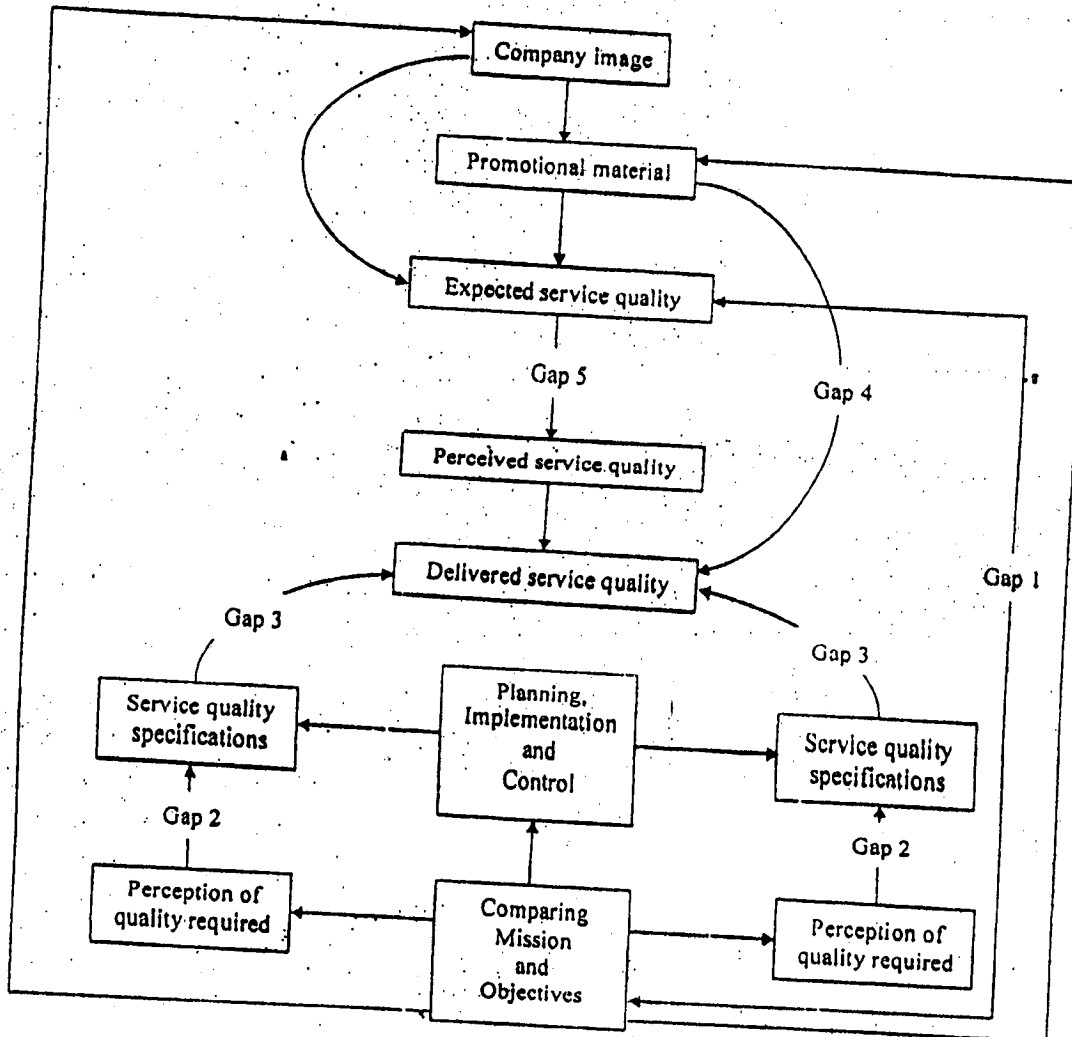


Figure 1

Table 2

Sl.	Designation	Location
1	Professionalism and Skills	Customers see the service providers as knowledgeable and able to solve their problems in a professional way.
2	Attitudes and Behaviours	Customers perceive a genuine, friendly concern for them and their problems.
3	Access and Flexibility	Customers feel that they have easy, timely access and that the service provider is prepared to adjust to their needs.
4	Reliability and Trustworthiness	Customer can trust the service provider to keep promises and act in their best interests.
5	Recovery	Customers know that immediate corrective action will be taken if anything goes wrong.
6	Reputation and Credibility	Customers believe that brand image stands for good performance and accepted values.

Among the numerous reasons identified for the existence of service gap a few notable ones are:

- a) When top management does not give employees any priority or when they have wrong priorities;
- b) When middle managers and front line employees are not empowered to make appropriate corrective decision on the spot;
- c) When the environment or structure of the organisation does not encourage innovation and creativity;
- d) When top management is complacent; and
- e) When top management has lost control of one of the gaps – either gap 3 (delivery) or gap 4 (communication) as is shown in the flow chart (Figure D).

In order to ensure quality in tourism operations the service provider has to fill in all the gaps.

### 3.3 QUALITY MANAGEMENT IN TOURISM

The application of the Concept of Quality Management in tourism operations emerged when many countries realised that all tourists are not the same. They are dissimilar on the basis of their origin, travel purpose, length of stay, activities, etc. For instance Japanese, Germans and other North American tourists are often thought to be particularly great spenders. As a consequence to this many countries have developed their services to meet the needs of such a kind of segmented tourist market. Because of this many countries/destinations started announcing that they want quality tourists. However, the assumption here that a high spender will also be a quality consumer in relation to various sensitivities still remains a question mark. There can be a situation where a high spender because of his/her high purchasing power may become more exploitative of tourism resources. Some countries have discovered that the market (being highly segmented) is to be linked to the available resources and infrastructure at the destinations. This led to another kind of approach wherein it was not just the quality of products and services was to be taken into account but the quality of users of such products or services was also to be ensured. In other words, if one tourist spends as much as three others combined, the absolute impact and resource use of former is likely to be smaller and, therefore, cost benefit ratio would be more favourable.

It is, therefore, widely acknowledged that 1980s saw many service providers in North America responding to a perceived 'quality' crisis posed by products offered by rivals as a method of retaining the market share. Hence, if late 1980s was characterised by a business environment committed to quality early 1990s was dominated by the Total Quality Management, a more sophisticated form of recognising customer's needs as an integral part of an organisation's goals.

Quality management, from the perspective of making cost-benefit ratio depends upon several factors, such as, the time reference unit of expenditure, i.e., expenditure per day/expenditure per trip, how much money is spent on providing it as well as leakages involved in it, the sectoral and regional patterns of expenditure, and government's objectives and goals in this direction.

However, before you decide upon what constitutes quality in tourism services, you should clearly define your own objectives of service quality (Quality Policy) and your target market. In the absence of such a framework quantity in tourism may not be the quality in tourism. Certain tourism industry sectors as stated earlier, link the parameters of quality with the purchasing power of the tourists. To some extent this may be in line with most often mentioned objectives of tourism development, like, increase in foreign exchange earnings, improving the balance of payments, and increased income earned through tourism and allied industries. But economists believe that taking in account the per day expenditure of tourists may always not be a correct measure as these high daily expenditures go hand in hand with short length of stay. In many cases they argue that tourists with the highest per day expenditure are not those with highest per capita or per trip expenditure. Hence, merely focussing upon per day expenditure of tourist may not be in line with the overall earnings from tourism. Moreover, in such cases tourism does not benefit everybody in the host community equally and some form of tourism may be more regionally or sectorally based than others since expenditures by tourists with a short length of stay are more likely to be concentrated in the primary tourist destinations and international gateways. Those tourists who turn out to be visitors with very low daily expenditure may in fact turn out to be quality tourists as far as the destination's concerns are to be accounted for. They may care for local resources, respect, local customs instead of exploiting them, and may live with them in harmony. Thus, they may turn out to be quality tourists from the point of view of the sustainability of the destination. Therefore, quality operations in tourism have to be linked not just with high spending but also to the guiding principles of tourism in that area and the satisfaction of both tourists as well as hosts.

The 1990's Quality Management is of great concern to tourism operations for both academicians and practitioners. This is largely due to increasing interest and concern for customer care and satisfaction. Therefore, it can be seen as one all-embracing approach enabling an organisation to develop a more holistic view of customers, quality issues and service provisions as an ongoing process linked with the quality perception of the hosts. There is always a problem of establishing a universal definition of "quality" which could be applied to different sectors of tourism operations. Townsend and Gebhart (1986) distinguished between the subjective evaluation of quality by the customer (quality of perception) and providers more objective assessment (quality of fact). Clearly the meaning of quality will vary according to the context and perceptions of who is establishing what, and what can be deemed as quality. But this concept in tourism operations requires organisations to work towards specific goals focussed on an agreed concept of quality. Corporate commitment is required so that Quality Management permeates from all areas of company business. Quality management will also provide you with an opportunity to monitor and implement internal procedures and to control suppliers using established quality standards and procedures.

One of the real challenges for Quality Management in tourism operations is to establish or determine what customers consider as excellence in service provision and design of service delivery system so as to deal with individual tourist's requests, requirements and needs. Many players in the tourism industry have started targeting the individual customers by adding value to their products through an analysis of what the individual perceived as quality. Naturally, the costing and pricing both go up in such cases. Others in this sector have attempted to provide budget category of tourists. It is at the strategic policy and planning level that the tourism service provider may need to agree on how to improve continuously on the quality front in providing the services so that the tourists experience is enhanced. One challenge in this endeavour will be to ensure that the process of travel is not perceived as a mundane and stressful experience by tourists.

Whatever be the stage, implementing a Quality Management strategy is not an easy task for service providers where it may involve a change in corporate culture. Nevertheless, if management is willing seriously to embrace certain principles, then the management strategies will prove to be the key to successful implementation of Quality Management in tourism operations:

As a manager if you wish to implement successfully Quality management strategies you are advised to consider following points:

- You should have long term commitment to constant improvement,
- You should have a culture of "right first time",
- Your employees need to be trained to understand customer-supplier relationships,
- While purchasing you should not just focus upon price but take in to account the total cost and quality,
- You should manage improvements in delivery system,
- You should introduce new methods of supervision and training,
- In order to improve communication and build teamwork you should breakdown inter-departmental barriers. This will also help you in managing the service process well,
- You should develop Human Resource Strategies (on the job training, incentives and motivation), so as to develop experts and specialists in your work force, and
- Last not the least you must develop systematic approach to manage the overall implementation of Quality Management programme in your organisation.

In nutshell we can say that the implementation of Quality Management Programme can be shaped by applying the above stated principles and their outcome can be experienced in following areas:

- a) improved Customer-service provider-relationships,
- b) better managing processes,
- c) change in organisational culture, and
- d) commitment of employees.

These outcomes, of course, are accompanied by necessities of a system based on national or international standards as well as tools to analyse and predict what type of corrective action is needed to improve quality or how to monitor progress of such corrective actions. A strong Management Information System backed by feed back from customers as well as front-line employees will also help you in quality management.

### **3.4 CARING FOR CUSTOMERS IN TOURISM**

The managers' task in tourism business, includes providing quality service to the tourists. This naturally includes the concept of customer care. If you ignore this you will find it difficult to attract customers. Both in the field of inbound and outbound tour operations there is a fierce competition to win and retain clients. Only those who really provide good customer care have a hope and scope for surviving in the business of tourism.

Always remember that you are operating in the field of specialised services wherein your clients have high expectations of the services you provide or you can provide. Meeting these expectations by your company largely depends upon how good you are at your job as a manager. You can either make their dreams come true or turn their dreams in to nightmares. On the one hand you have a situation wherein when these expectations are not met the customers remain unhappy or on the other hand; you deliver your services with the quality beyond their expectations and hopes. Remember, that many of your clients might be experienced ones who would compare your services and product with their previous experiences. Customer satisfaction is achieved not only by giving them value for money but also by winning them for repeat business and good publicity. Best example of caring for your clients and ensuring that they enjoy a high quality service is that before delivering the service develop certain checks and test that you are ready or not. Besides, to offer a quality service to every client means being able to maintain high standards and to repeat them every time. It also involves developing new systems and making them work to achieve your organisations' quality and customer satisfaction related goals.

You must always remember that each of your customer would like to feel special and making each one feel different from thousands of others is not always easy. However, a beginning can be made through effective use of communication skills or your front-line staff should be trained to:

- Always acknowledge the customer,
- Smile and mean it,
- Address people courteously,
- Look them in the eye when while speaking to them, and
- if known, use their name.

When you think of customer care what should come instantly in your mind is idea of little bit extra than what the customer is aspiring for. For example:

#### Situation 1

When you are selling to a corporate client your services of insurance, traveller cheques, foreign currency, visa application and collection as well as hotel vouchers if you also try to provide him/her with a taxi/chauffer driven car to get him/her to airport or from airport to hotel, it would make him/her feel that you understand his/her need and you are capable of offering that little bit extra what others cannot.

#### Situation 2

An airline passenger gets an extra smile from the airhostess and a query – Sir, Can I get you something? This makes the customer have a feeling that he/she has been cared for.

In both these examples if you notice what made a client more relaxed is the feeling that they were being looked after: These examples also highlight the key factors in giving quality service – it is the caring way the service is delivered that brings success to your operations. It also signifies that you should put the client's interest first. At times what happens while doing a number of jobs you start focussing on doing the job to please your seniors and top management and forget that the reason for doing the job is to look after your client. As a manager you must realise and train others to acknowledge that most important part of your job is to give best possible standard of care and services to your client and this makes your task distinct from others. In other words, giving that little bit extra means thinking of your customers' reactions to your work and trying to look after their comfort and satisfaction. With experience you will also learn that the secret in giving that little bit extra is anticipating the request before it comes, being prepared to deal with it and even perhaps offering it before it is asked for.

Another important area which is believed to be crucial for a manager is to handle complaints. It is for sure that when things don't go right the customer will complain. This gives rise to complaints or grievances which you need to handle effectively and convincingly.

An example of the nature of complaints and how to handle them effectively in tourist transport business is discussed at length in MTM-14 (Unit 7). Though these complaints are discussed from the perspective of tourist transport operations, more or less for improving quality of your services in relation to clients' expectations and satisfaction gap the situation remains the same in practically all tourism businesses. Therefore, nature of complaints and complaint handling remain the same, particularly, when it comes to deal with feelings and emotions as well as to deal with the problems. Hence, do take the complaint seriously, even when you think it is exaggerated or unreasonable. This will let your client know that you are prepared to listen and help. It is advisable for you to stay calm and keep your speech and tone business like. You must ask questions to your client to get full details. While doing so you can use comments like, "I see", "I understand" or "Do go on". These comments only suggest that you are following his/her problem but do not comment anyway that you agree with him/her. If you indicate in any manner your agreement with the customer about the fault in effect you accept the responsibility. Once this happens then client expects compensation even, if possible

through legal battle. All this clearly indicates that while caring for customers complaints must be handled tactfully.

If you, as a manager of a tour operation or a travel agency business, are able to take customer care the way customer expects, you can establish long lasting personal as well as professional relationship with your customers. After this stage customers even start ignoring small mistakes committed by you or your staff which otherwise may consume your good amount of time in solving these problems. Moreover, these satisfied customers become reference sources, i.e., they start recommending your name as a reliable and caring service provider to friends or in their business circles. Therefore, customer care and Quality Management can be seen as key principles of success in service sectors like tourism operations.

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### 3.4 LET US SUM UP

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Quality control assumes more significant role in tourism operation as compared to other industries. Being heterogeneous in nature, it becomes difficult for service providers in this trade to maintain quality in their manufacturing processes. But customers believe that they should get best value for the money they spend on tourism/recreation related services. Moreover, quality and customer care are key words for success in present market situation of competition. If you fail to deliver the promised goods of the quality of service is assured by you in your pre-sales negotiations with the customer, you have all the probability of losing the revenue. On the other hand, if you are able to satisfy one of your customers you automatically have created a network of publicity for yourself, i.e., this satisfied customer will always work as a goodwill ambassador for you and your company. Therefore, you shall lay greater emphasis on customer care programmes. This can be achieved by providing extensive training to your employees on such issues related directly or indirectly to Quality Management Control of your products/services or customer care to develop long lasting relationship with your customer.

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### 3.5 CLUES TO ANSWERS

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**Check Your Progress**

- 1) Refer Sec. 3.2.
- 2) Refer Sec. 3.3.

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## UNIT 4 MANAGING TOUR OPERATIONS – I

### (In-House Operations and Use of Technology)

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#### Structure

- 4.0 Objectives
  - 4.1 Introduction
  - 4.2 Setting Up A Tour Operation Company
  - 4.3 Management of In-house Operations
    - 4.3.1 Acquiring Complete Product Knowledge
    - 4.3.2 Managing Linkages with Service Suppliers
    - 4.3.3 Itinerary Preparation
    - 4.3.4 Costing A Tour Package
    - 4.3.5 Business Correspondence – A Managerial Art
    - 4.3.6 Controlling Vouchers
    - 4.3.7 Briefings and Feedback
    - 4.3.8 Planning and Scheduling Pick ups and Transfers
    - 4.3.9 Feedback Assessment/Analysis
    - 4.3.10 Human Resource Planning and Development
  - 4.4 Use of Technology
  - 4.5 Let Us Sum Up
  - 4.6 Clues to Answers
- Annexures

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#### 4.0 OBJECTIVES

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After reading this Unit, you will be able to:

- understand the in-house managerial roles and functions of a tour operator,
- appreciate the skills needed to perform managerial and day-to-day tasks in a tour operation company,
- learn how to do costing of a package, and
- learn about the Business Standards in tour operations.

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#### 4.1 INTRODUCTION

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In TS-1, you were acquainted with the role of tour operator in tourism industry. A tour operator packages together a series of travel services which include transportation, airport transfers, accommodation, excursions and sightseeing, guide services, etc. The product that comes out after assembling all these services together is known as a package tour. Generally, the tour operators buy these services in bulk from the principal suppliers to make holiday or special interest packages. The complete package of arrangements and services is then sold at an exclusive package price to tourists through retail agents in the tourist-generating markets. The prices of these package tours are much lower than what an individual buyer would obtain if one goes for separate bookings with different suppliers of travel trade. At the same time, it must be noted that a tour operator not only sells a package tour but also ensures the smooth operation of the tour. The management issues related with tour operations include:

- i) Tasks to be performed for setting up a tour operator company,
- ii) Market research and product (tour package) formulation,
- iii) Selling the tour package, and
- iv) Organising, monitoring and controlling the organisation's activities as well as tour operations.

Keeping in view the functions of a tour operator, in this Unit, we attempt to familiarise you with the managerial tasks involved therein. The Unit takes into account the requirements of setting up a tour operation company. It also deals with the planning, organising and operational aspects necessary for tour operations. It further deals with certain minute details related to efficiency levels in the company which are useful for training your employees as well as for those who intend taking up such jobs. This Unit also focuses upon the use of latest technology to enhance the efficiency of tour operations.

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## 4.2 SETTING UP A TOUR OPERATION COMPANY

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Tour operation is a risky business because a tour operator buys airlines' seats, hotel rooms, etc. much in advance from the principal suppliers and if he or she fails to sell them heavy losses are involved in it. Hence, before setting up a tour operation company, one must be prepared financially and mentally to bear these risks. Similarly, a tour operator must be absolutely clear regarding the type of business to be handled. For example, would the company deal only with inbound tours, outbound tours, domestic tours, exclusive markets like conferences, conventions, trade shows, business, incentive travel or all of them, or a combination of any two or more of them. This should be decided at the planning stage itself while preparing the project report. Furthermore all tour companies, whether large or small, must fulfil certain minimum requirements like:

- proper financial base,
- adequate and qualified staff,
- government approvals, and
- authority to sell on behalf of industry principals in return for commissions.

You have already learnt in TS-1 about financial feasibility studies and the sources of funding for establishing a tourism enterprise. In this Unit an attempt is made to co-relate them with the needs of a tour operation company. A good premise at a suitable location is the vital requirement for starting a new tour operations venture. Similar is the case in relation to support services like office requirements and the travel language and terminology.

A tour operator has to establish linkages with the principal suppliers like airlines, hotels, tourist transport operators, guides and escorts, etc. for the purpose of designing the package. For this you need information from various channels. For marketing purposes, linkages have to be established with travel agents, tourism departments, etc. In fact, the owner/manager of a tour operator company must attain all knowledge about the products to be packaged and market conditions. This calls for a proper understanding of:

- tourism markets (segments and competition),
- tourism trends,
- tourist profiles,
- tourism forecasts and seasons,
- promotional strategies,
- trade linkages,
- travel regulations, and
- tourism products, etc.

Besides a tour operator, in India, after one year of operations, must seek recognition from Department of Tourism, Government of India. There would be similar agencies for seeking recognition in other countries as each country has some regulations.



### 4.3 MANAGEMENT OF INHOUSE OPERATIONS

In present times of tough competition and extensive use of information technology the difference between the managerial functions of a tour operator and a travel agent has narrowed down. Gone are the days when a tour operator used to design and package tours for bulk sale and travel agents were used as intermediaries to reach the tourists both in groups and as individuals. In other words, tour operators were producers/wholesalers and travel agents were retailers. But as market forces and conditions have changed, the technological advances have improved the mobility and purchasing power of a large number of people. They have directly started searching the websites for recreation activities which form the backbone of the leisure and holiday tourism. The trend of directly going to the principle suppliers is on the increase.

Most of the tour operators of yesteryears are finding it difficult to sustain their operations without reaching to the end users directly. As a result, tour operators' business operations are undergoing change though the level may vary from country to country or company to company.

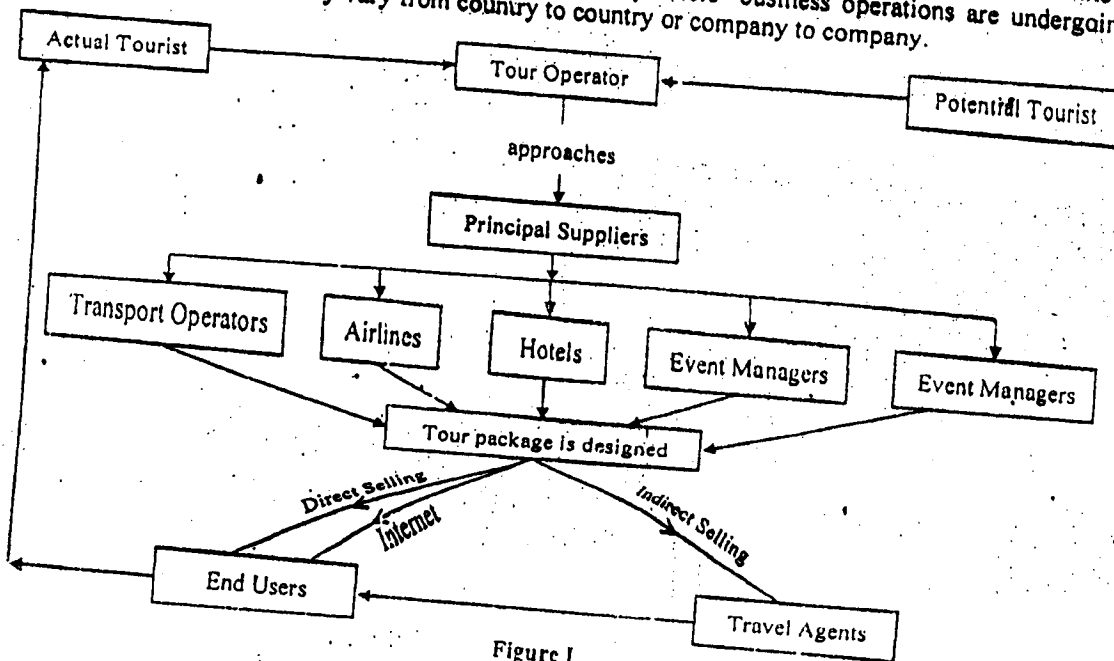


Figure I

To complete this cycle, as a tour operator, you are required to assess the market demand, tastes of tourists as well as the forces dominant in the market. In other words, market watch followed by analysis and projections have a direct bearing on in-house operations and their management. One must also take note of the fact that if an economy is passing through recession it is obvious that the majority of people of that economy will not have sufficient disposable income for leisure and holidays.

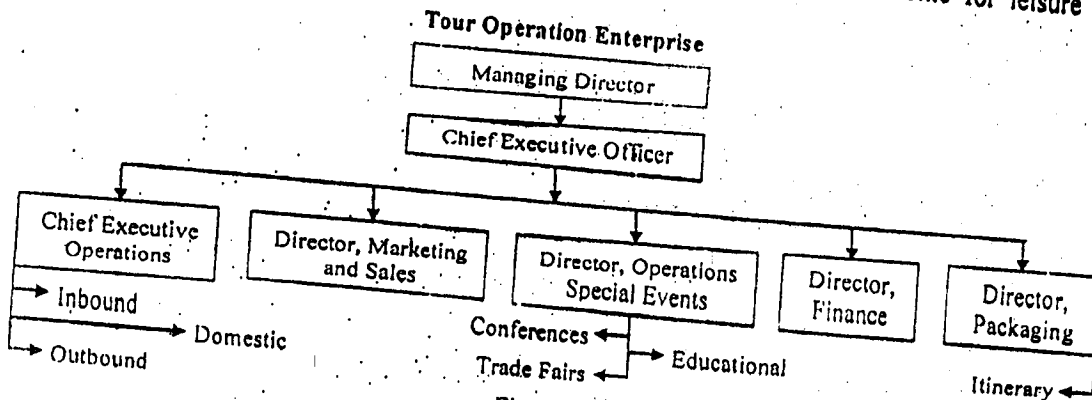


Figure II

Once market conditions and tastes have been determined it becomes important for you to organise your in-house operations. In technical terms these in-house operations vary from company to company depending upon the size and volume of business of the company. For example, in a large tour operation company in-house operations will be organised in a classified manner (See Figure II).

If we look at the above shown organisational structure it is quite clear that in-house operations are spread over the tourists coming into the country, tourists going abroad as well to domestic tourists. These operations are backed up with product designing (tour packages), sales and finance etc. In a small company these departments may be clubbed together into two or three managerial positions.

When we talk about managing in-house operations for inbound tourists we may include several activities which form part of the overall operations like:

- 1) Acquiring complete product knowledge,
- 2) Managing linkages with service suppliers,
- 3) Itinerary preparation,
- 4) Costing the package,
- 5) Managing business correspondence,
- 6) Controlling vouchers,
- 7) Briefing and counselling,
- 8) Planning and scheduling pick-ups and transfers,
- 9) Feedback assessments/analysis, and
- 10) Human Resource Planning and Development.

#### 4.3.1 Acquiring Complete Product Knowledge

In the present times of specialisation, the tour operators are packaging different kinds of tours and accordingly they need to acquire product knowledge for packaging these tours. We have mentioned earlier that there are inbound tour operators as well as outbound and domestic tour operators. Within these categories, you can further divide the tour operators in two categories:

- 1) **Mass Market Operators** are those who offer routine packages which include travel, accommodation, and some other related services. These operators sell packages of well established destinations to all taking the market as a whole.
- 2) **Specialist Tour Operators** design their packages keeping in view the specific needs of different market segments of the customers. For example, exclusive package tours are created for adventure tourists by some; others package wildlife tour packages or some design packages for a particular age group. For the purpose of segmenting the markets, some tour operators go for geographical segmentation and operate in a specific region only. For example, certain local tour operators may organise tours in their catchment areas only or some may identify and confine to one or two countries only for business. Among this category, there are also tour operators who specialise in using specific types of accommodation, transport and entertainment. In fact, there is no end to imagination and creativity in designing special tours after analysing the demand trends and attitudes. For example, of late some tour operators have started preparing packages for diplomats and their families on weekends from Delhi to nearby places. Recently during Holi a large number of foreigners and their family members were taken to palaces of Alwar to celebrate the festival the way maharajas used to celebrate it in old days.

Some tour operators specially design and package tours on the requests of the clients. A typical example in this regard could be the following:

A group of 10 sociologists from France intends to visit India. They want to have a feel of prominent tribal societies and they are in the age group of 35-45. They place their requests to a travel agency in Paris and the travel agency passes on this request to you in India. The first task for you shall be to assess whether this company can handle such a group. Considering factors may include:

- i) The company has to get in touch with a leading sociologist in India for identification of the sites worth visiting.
- ii) What shall be the modes of transportation to these sites,
- iii) Where accommodation has to be provided,
- iv) Identification of a tourist guide who specialises in tribal tourism.
- v) What type of entertainment can be provided to them in the evenings,
- vi) What type of meals to be served and where, and
- vii) Where to take them for shopping, etc.

In fact, it is only after assessing these aspects, you will be able to package the different components and accept the offer. You can also think of providing value addition in this package by offering each member of the group a good book on Sociology as a souvenir or a complimentary visit to a museum where the records and studies about some of the tribes are kept or even shopping at a place where handicrafts prepared by these tribes could be seen in making process and could be purchased. To make all these arrangements you shall ask for sufficient time too. This cushion period may vary from 12-14 months. There are clubs or groups of travellers who seek presentations from tour operators or send a member to have a feel of the tour first.

Thus, it should also be kept in mind that such requests ask for special efforts on the part of a tour operator to package the tour and you must also remember that in the coming future the number of such tours is going to increase.

For the construction of any type of holiday package, market research is an essential component and once a decision is taken regarding the type of business to be done, the tour operator must take an account of the services that are to be packaged. At the same time, the tour operator must have a first-hand experience of the quality of the services which the principal suppliers offer, and this means field visits. In tourism, these are known as Familiarisation (FAM) Tours. Generally, these tours are at the cost of the principal suppliers who themselves are looking for expansion avenues of their business. Let us take the following example in this regard.

A tour operator intends to package a tour from Delhi to Puri beach temples. We know that at least two airlines are operating their flights on this route and there are a number of hotels in Puri. You travel by a particular airline to assess its services. Further, you look for hotels in Puri and assess whether their facilities and services meet your requirements, location from the beach (generally people go to Puri for beach as well as pilgrim holidays), etc. The prices and commissions are also negotiated. The next thing you do is to deal with a local tourist transport operator for making sightseeing and excursion arrangements during the daytime and again prices and commissions are negotiated. You also find out the means of entertainment available in the evenings and decide which one among them shall go as part of packaged tour. However, if the same exercise is to be done for a special interest package you may include in your research identifying a guide who is familiar with the history, customs and rituals, etc. of the Puri temple; an art historian who can describe the architecture in its minutest details to the group; a restaurant which serves local cuisine and a hotel with ethnic décor.

In fact, as a tour operator you should constantly update the knowledge about the destination in order to improve and redesign the package (if necessary) every year. It must be remembered that the packages are generally designed and sold at least a year in advance as most of the tourists in the prominent tourist generating markets plan their holidays twelve to fourteen months in advance this is particularly true for the long haul destinations like India. This is more so necessary because of the competition in the market. This product knowledge has to be stored and regularly updated. For instance, when you sold a package tour, list of attractions and sightseeing constituted 10 points but when actually tourists arrive number has gone up to 13, these 3 new man-made attractions, being widely publicised are known to tourists, before they ask you, you yourself should incorporate them in their itinerary. This is possible only when you are updated about these market developments. This could very well be achieved through FAM tours.

Besides product knowledge, planning, organising, monitoring and controls should be an in-built exercise while packaging tours. While selling the tours, you may face such questions as to what are your alternate or contingency plans for meeting the failure of any service that is offered in the package. For example, if the flight is cancelled, etc. Hence, it is necessary that the pace of operations, contingency plans and controls are decided at the initial stage itself, though these may be for the internal exercise of your company employees.

#### 4.3.2 Managing Linkages with Service Suppliers

Once you have acquired the product knowledge you need to develop contacts with principal suppliers of various services to package the product for sale. Domestic airlines market size has remained more or less stagnant since 1990s when nearly 10.8 million domestic passengers were carried by domestic airlines which now have marginally increased up to 12.8 million in 2001-02. This clearly indicates the fact that market size has not increased whereas number of airlines and flights (number of passenger seats) have increased over these years. As a result, these airlines are trying to cut their share from the same cake size by offering lucrative incentives and discounts to their passengers. It is in these circumstances your role as a tour operator becomes more crucial when you negotiate with these airlines on behalf of your customers to get them the best price and maximum value for their money. Therefore, as a tour operator, it is important for you to keep yourself updated about various promotional schemes being offered by these suppliers. Today internet can be considered as the best source of such information. Moreover, most of these suppliers organise fam tours on regular basis to familiarise new entrepreneurs/managers of this trade. These suppliers also exhibit their products and services in travel and trade shows. Hence, if you want to be a successful and effective tour operator in the beginning, you shall visit such exhibitions and expositions and if your budget allows you shall also participate. Similar would be the situation in relation to hotels or tourist transport operators and the linkages of tour operators with other service suppliers have also been discussed at length in Unit 2. As a manager you should also train your staff in this regard.

#### 4.3.3 Itinerary Preparation

Whether it is inbound tourism or it is outbound tourism itinerary preparation is the most crucial task. To be a successful tour operator you need to acquire complete product knowledge and accordingly develop linkages with service suppliers. Once you have achieved these tasks you will be able to plan your itinerary at a competitive cost. You must train your staff on all the important elements of itinerary preparation like preparing tour packages, costing tours, issuing tickets, scheduling and arranging pick-ups and transfers, booking hotels, arranging visits to events and monuments and other allied services to be performed for successful operations of your business. You are advised to divide your work into international and domestic desk. Though most of the field jobs would remain the same but some of the operational requirements would be different for international tourism. For example, developing and managing linkages with trade supplier you are not only required to participate in Fam tours frequently as well as you are needed to represent your product(s) at international travel trade shows, like, ITB, SATTE, etc. Technical points related to itinerary preparation have also been discussed in TS-3 as well as at the end of this Unit.

#### 4.3.4 Costing A Tour Package

It is after thoughtful exercise of planning and controlling of resources that a package tour is prepared and is ready for sale; but at what price? Price will always be a crucial factor in its success or failure. Though as a general practice tour operators use marginal pricing techniques, i.e., either after studying the market trends add their margin and cost the package or after calculating their operational costs plus some profit for the company decide on the price. Yet, you have the option of choosing either from mark up or buying power:

##### i) Mark Up

If you aim to generate profit in order to keep you in business you are required to handle as many clients as possible and by making sure that you make sufficient profit on each group you handle. In order to ensure that you make profit you have to familiarise yourself with the total cost of the ingredients of the package, and then add a mark up to that total. It means mark up is the extra

amount which your company can keep on each sale. If you give a price which is too high, (because you have been too greedy with your mark up) you may lose the business to your competitor. If you do not charge enough to make a profit you may not survive the market. Normally decision making in case of mark ups rests with senior people in the company. Therefore, you must equip yourself with decision-making skills in this area.

## ii) Buying Power

Buying power is used to increase the profit you make on each sale in order to reduce the price at which you buy the services from principal suppliers for the package. In other words, you ought to have the best bargain from your supplier. This has the effect of increasing your margin without increasing the price at which you sell the package to the clients. Though you are in a good position to negotiate yet you are required to give the supplier a good amount of business for more discounts.

Besides these two pricing techniques you must also familiarise yourself with other technical terms like Net rate, Gross rate, profit and margin which are related to costing and pricing of packages:

### a) Net Rate

Net rate is the price which a supplier charges you and on which you base your prices for your products and services. While calculating net rates you are free to add any amount of Mark Up to it before passing it to your client. The net rate is always kept absolutely confidential to yourself and the client must have no idea of the extent of the mark up. It is possible that your competitors may receive different net rates from the same suppliers and will probably add different mark ups. This will differentiate the prices of your packages from that of your competitors.

### b) Gross Rate

Gross rate is the rate which a supplier quotes to you for his or her products/services. It normally includes an amount, expressed as a percentage of the gross rate, for you. This hidden part for you is usually known as Commission. This commission constitutes a lion's share of your earnings in your operations. For example, if the Gross price is US\$10, and the commission rate is 10%, your supplier wants to be paid US\$9 and expects you to sell the service to the client for US\$10. It is probable that the same service is available elsewhere for US\$10 and that the client is aware of only this selling price. The percentage rate of the commission is not revealed to the client and your competitors probably receive a different commission rate even though their selling price is the same. This differentiation in commission rate is largely due to volume of business you generate for your principal suppliers. Higher the volume, higher would be the rate of commission. A part of this percentage is many a times passed on to customers to win their loyalty.

### c) Profit

Profit is what you hope to be left with at the end of the year after all your bills have been paid, including taxes. Profit is not the same as mark up. However, it should be noted that many travel companies call the amount they have made on a file "profit on this file and not mark up" on this file. This is technically incorrect but as it is a common practice because tour operators do not want to reveal the mark up on each file for their staff.

### d) Margin

Margin, however, is much the same as mark up but whereas mark up tends to be expressed as a percentage, margin tends to be an amount expressed in money.

Let us assume that a client chooses a vacation which will cost him US\$ 1000 (Round figures have been used for convenience in this example).

Total amount received by retail client	1000
Retail agent's commission on this sale (10%)	100
Amount passed to wholesaler (10%)	100
Air seat to destination (40%)	400
Amount of inbound operators invoice to wholesalers (40%)	400

You can see in this example that your invoice of \$400 to the wholesaler had seen many other things added to it before the client finally gets his bill? All of these figures are kept confidential in the travel trade. Clients are well aware that everyone is making money, but they are never permitted to know the exact details. But rather they are made to believe that every service provider is squeezed for every penny to get the best price for the customer.

Many a times you confront a situation where you feel that the selling price is too high for your client. What you shall do in such a case? It is not always possible to cut the margin, or try to negotiate a lower price. You can try a number of other alternatives to convert this enquiry in to an actual purchase:

- reduce the number of nights,
- reduce the included meal plan,
- reduce the included sightseeing or activities, or
- use a cheaper hotel, etc.

All of these will have the effect of reducing the gross cost to your client (but they will also reduce your profit on this file). When you take an action to reduce the cost by reducing the quality you must be sure to explain clearly to the client how the tour has now become less expensive. If you do this tactfully, you may even persuade them to pay the higher price for a better product.

#### 4.3.5 Business Correspondence – A Managerial Art

All organisations depend on incoming, outgoing and internal correspondence for a variety of reasons like whether it is confirmation of booking or handling of complaints, etc. The product is an arrangement made on paper and you depend on the mail more than many other businesses. Correspondence can be made by:

- Letter,
- Fax,
- Telex,
- Memo, and
- E-mail.

The "mail" here includes the public post office system or a courier boy/despach rider and national or international courier service. There are many reasons why you correspond with others and these may include:

- requesting information,
- giving information,
- sales promotion (mail shots),
- receiving documents,
- despatching documents,
- receiving payments, and
- despatching payments, etc.

All incoming correspondence must be handled quickly and correctly so that the customers' bookings are properly processed and all outgoing correspondence should create a professional image of both yourself and your company. As a manager you ought to lay out the company rules in this regard and ensure that your staff is trained in this regard.

### i) Incoming Correspondence

One of the first tasks of your working day is to deal with all the correspondence. This may mean that you have to go through the mail received, you shall also depute someone to check the fax machine, collect printouts from the telex machine, and write down messages from the answer-phone as well as someone shall also check the computers for E-mail or networked messages.

In order to do all this you need trained people who can be assigned the various jobs related to both incoming as well as outgoing mail. Most tour operators put the staff on a rotation basis whereby they take their turn on administration or counter duties.

Incoming correspondence can cover many subjects. It may include updates from suppliers on products available, invoices for services provided, changes in banking settlement plans, requests from customers, arrival of tickets, new stocks of brochures, advice of flight time changes, customer complaints, and much more to add to this list. It is important for you to prioritise incoming mail and to instruct the office staff to deal with all of them in the fixed order of priority.

Once you have a pile of mail in front of you, you should sort the mail according to urgency. **Remember, you should give first priority to existing client business as the most urgent.** This is to ensure quality in customer care. You must also remember, that messages which have arrived by answer-phone, telex, fax or e-mail are usually, but not always, more urgent than those which have come by post. So, you should put these in the most urgent priority list. Not only this, you should also look for letters which deal with very urgent matters, such as, invoices, receipts, tickets or schedule changes.

After these come requests which may lead to new business. Enquiries from prospective clients also need close attention. Your response to such correspondence will enable you to establish linkages with new market segments of travel industry. Then matters related with general office administration can be dealt with, for example, bank statements, bills for the office rent, etc. If you do not handle these promptly you will have business but no premises. Next, there is likely to be quite a lot of information related to new products/services launched. You certainly need to study and keep them but they are less urgent. Finally comes, circulars and effort by other businesses to sell to you their products/services. If you are on post duties your job is to read the mail quickly, establish the level of priority, and mark it promptly to a colleague, to a file, or even directly to the waste paper bin. You have to design a system for your own company keeping in mind that:

- existing business comes first,
- potential business comes second,
- administration comes third, and
- product updates comes next.

**Customer complaints are related to existing business and, therefore, should get first priority. If you put them at the bottom of the pile losses can be irreparable.** All incoming mail must be distributed in the first half-hour of the working day so that it can be dealt with promptly.

### ii) Outgoing Correspondence

Outgoing corresponding is an opportunity to transmit a professional image of yourself and your company and therefore it must look smart as well as correct. Therefore, you are advised the following checklist for managing every ongoing correspondence:

- the correct paper is used (letter head, etc.),
- the letter is formatted correctly,
- it has the correct date,
- it is addressed to the correct person,
- all information is correct (double check with all files),

- there are no grammatical, spelling, or typing errors,
- all questions asked have been answered,
- the letter is easily understood,
- the letter is polite and business-like,
- the letter has been signed by the appropriate person,
- the envelope has been addressed correctly, the postage is fixed and sufficient, and
- the correspondence is despatched by the most appropriate means according to its urgency and a record is kept.

### iii) Internal Correspondence

Internal correspondence consists of corresponding with other members of the staff and forms part of the daily routine in any company. This is normally done in an informal way. Hand written notes are normally quite acceptable when communicating with your colleagues. When you have to pass on an important information to your colleague you should check twice that it has been received and work has started on it. For example, you can always go for a quick verbal "Did you see my note about Mr. All's flight cancellation?" It takes only a moment. If you are required to write a detailed report it should always be typed, even if it is only for internal use. You should use a typewriter, word processor or a computer to ensure that the finished item looks professional.

### iv) Despatching Correspondence

In tour operation business, during the office hours and at the end of each working day there would be a large/quantity of mail to send. This will include electronic despatch as well as physical posting. If everything is left to the last minute the person who should send the mail will want to go home and the mail will remain undelivered till next working day which is not a professional way to handle the situation. The whole office staff should, therefore, be aware of what time the routing mail will leave from the office, and ideally this will be about an hour or half an hour before the close of business. At this time the administration person will collect the mail, and take it to the box or post office. This may take a little time so it will be that the persons last duty of the day. Faxes, telexes, etc. should not await the end of the day but should be answered at once throughout the working day.

### 4.3.6 Controlling Vouchers

Vouchers (sometimes called exchange orders) are documents which are issued by tour operators for making reservations, confirming reservations and guarantee payments to suppliers of products/services. In other words, instead of writing a lengthy booking letter, sending a deposit cheque or cash, then writing a confirmation letter and sending another cheque, or more cash, a voucher is prepared for the same. This, of course, saves time, effort and removes the risks of escorts and other staff carrying large amounts of cash. Since these vouchers are promissory notes, they are accountable documents and must be treated as good as tickets or cash. That is, you are advised to handle them carefully, secure and stock them in a controlled manner. Vouchers are broadly used for services like:

- Hotel bookings,
- Meal breaks on tours,
- Transport,
- Guide,
- Entrance fees to attractions,
- Toll for roads, bridges or mountain passes, and
- Hire of equipment for sports and activities and many more.



Normally, these vouchers are printed in sets of four or more copies. One copy is for the office, one for the client which he/she presents to service provider; one copy goes in advance to service provider and one copy is filed in clients' account. In short, a voucher is a promise to pay for a service someone promises to provide. Therefore, it must be accurate, brief and clear. If any one of the features is missing from the voucher issued by you, you will have a different impact on your relationship with suppliers. To achieve accuracy you can advise your staff to use computer aided reservation vouchers, which are less, exposed to fraud and recording of their number is not a cumbersome task for the staff.

In issuing vouchers all your staff has to do is to complete each box carefully and completely. If you are able to type the entries then you should use block capitals and indelible ink or ballpoint. Always check that all copies have come out clearly, especially if you are using carbon paper. Let us look at one example of a correctly completed voucher for a transfer, which you are asking your partner agency. You have already been told that a voucher is a document which outlines a promise to provide a service. In writing the following voucher in detail you are advising your partner exactly what you have done and you are giving enough information to allow them to do it properly. This exchange order gives all the details both ordinary and special about the passengers. For instance, in this example one passenger uses wheel chair and they would be requiring an English speaking escort.

You must note here that very rarely do prices ever appear on these vouchers. This is because there is a difference between the net rate that you are paying and the gross rate that the client is paying. You should keep these rates, and the extent of the difference, confidential. On the voucher you must mention services to be provided. For example:

- Meet/greet arrival transfer 02 pax + Bags Ex BA123
- Arrival MAA 1500 28 Apr 2002
- Private Air-conditioned car
- Special secretarial assistance, double room, MAP

#### 4.3.7 Briefings and Feedback

For the success of any tour operation business it is essential for you as a manager to brief all the personnel associated with the tour operations in relation to their functions. This is more particularly true in case of escorts, guides and drivers. In other words, all the staff members who come in direct contact with the clients/tourists must be given proper briefings on:

- i) how to handle clients' inquiries;
- ii) how to convert these enquiries in to desire;
- iii) how to convert these desires in to actual demand; and
- iv) how to convert this actual demand into action.

Once the package is purchased by the client what kind of services would go as value added services, for instance, tour escorts and guides are today seen as value added services. Other than this some more complimentary services are added to this, for example, training of drivers, on driving skills, route locations, delivery of air tickets, itineraries, passports endorsed with visas, and pre tour briefings to the tourists, etc.

By now you must have gathered a fair idea of how important briefing and counselling can be in any successful operation of a tour. Detailed information on briefing is discussed at length in Unit 8 of this Block.

#### 4.3.8 Planning and Scheduling Pick ups and Transfers

This in-house function of tour operation business holds the importance because if logistical applications are not used in transport fleet management there may come situations when your tourists/group remain waiting at the airport for transport or for pick up assistant. This may further lead to confusion related to hotel transfer. Therefore, scheduling of pickups for at least six weeks in advance must be carried out in a planned manner so that available transport fleet can achieve optimum utilisation.

As we know that most of the international flights come at late night, it is thus important to schedule deployment of both men and vehicle much in advance and proper briefing must also be done accordingly. Details of the pickup related functions are discussed at length in subsequent sections.

As far as planning transfers of guests are concerned you must ensure that desired type of hotel is booked and confirmation is procured. It is advised that a few days before the arrival of the group(s) reconfirmation must be done so that when a long journey guests arrive should not face any inconvenience. As a normal routine you have tie-ups with only a few of the hotels who have agreed to give you desired percentage of commission on each booking(s), i.e., the main motivation you work for. It is your responsibility that when your staff is going for pickups or where transfers are also involved, he/she must also be given hotel vouchers prepared by your staff for the tourist(s).

It is very important to note that if these functions are planned carefully and in advance nothing can stop you from getting an image of one who cares for the customers.

#### 4.3.9 Feedback Assessment/Analysis

You should always be looking for feedback from both, your clients as well as employees. This may come as a casual comment from them to you through the guide or you may ask for it in a formal manner by means of a questionnaire. This feedback received can be:

- positive feedback, and/or
- negative feedback

It is always a pleasure to receive positive feedback because it is a motivating factor for the employees and the company. Whatever may be the feedback, you should listen to it actively. It may pertain to things like, "this guide's English was so clear", and "this guide's concepts are so clear". When feedback comes in this form with stress on "This" it means others in comparison are not clear enough or are not conceptually strong. Feedback in the forms "we didn't enjoy the visit to monument because it was so hot", you in such situations cannot do anything about weather but on your future tours you can take precaution like:

- visit such places in the morning,
- combine visits with refreshment breaks,
- making sure that waiting bus is with air conditioned, and
- advise people in advance so that they prepare themselves.

In fact feedback is essential both, for quality management in your operations as well as promotion.

#### 4.3.10 Human Resource Planning and Development

As a professional tour operator you should always remember the importance of training and retraining of your employees. Human Resource Development assumes much greater importance in tour operations business than any other activity because tour operations are highly vulnerable to unforeseen circumstances and factors changes with respect to airfare, bilateral-agreements between hosts and generating countries, visa regulations, currency exchange rules and other tour operation activities. If you fail to induct right kind of employees for the right job at the right time to work in the crucial areas of tour operation, there are fair chances of your being unsuccessful in this business. The required human resources in tour operations vary from unskilled to highly skilled, performing variety of jobs at difficult times. For instance, itinerary preparation is a highly skilled job calling for sound knowledge of the world geography, different time zones, rules related to currency transactions, airlines schedules and their connectivity and so on. On the other hand, tour counsellors are primarily responsible for attending the inquiries of customers and suggesting them the most suitable options to choose from. Anyone with good communication and trained for this job can perform this job. In other words, much experience or technical information is not required to make this task more simple. Tour operators have divided the world in to travel markets and different divisions are made responsible for each travel market. Role of employees in unskilled category if given required training can prove to be

the ambassador of your company. For example, a driver while performing pick-ups can leave on the group an everlasting impression about your company. If you have trained drivers only then they would know the importance of applying brakes softly or not blowing horns loudly which otherwise cause inconvenience to weary tourist.

#### 4.4 USE OF TECHNOLOGY

In this competitive world of travel business, one has to be up to date about the application of technologies available to receive and provide information on time. In MTM-04, you have read about the various technologies involved in tourism. Computers are the fastest and surest way to get information across. In case of two or more computers in an office it is better to get LAN installed. With the LAN installed each of the employee can go to do their work on any computer location. This will ensure that work is completed in time no matter on whichever computer it is done. Usage of such computers connected with LAN ask for password for each employee so that files stored cannot be tampered by any unauthorised access. The latest addition of "internet" has become a part and parcel of all business transaction. Time has come when every tour operation company shall have its own travel portal. This shows extent of internet usage.

For any agency it is important to have connectivity with any of the Centralised Reservation System (CRS) whether it is Galelio or Amadeus as for that matter it is any other CRS being used for hotel working, car booking, so on so forth.

Use of technology has even gone to the extent that fortnightly settlement of accounts takes place through IATA settlement plans. As a manager it is therefore advisable to you that you not only undergo training on such reservation softwares from time to time but also encourage your employees for induction in such systems. This can bear good dividends for your company.

#### 4.5 LET US SUM UP

This Unit apprised you with the in-house operations of a tour operation business. The core activities of a tour operation business are focussed upon business correspondence, which provides the manager an opportunity to interact with other segments of trade for mutual benefits. Voucher preparation is yet another transport functions which is to be performed carefully and tactfully because these vouchers are a kind of promissory notes to service providers. If preparation aren't taken use of these voucher is open to fraud by employees. So, employees need to be trained and briefed properly by you in relation to their use and recording.

#### 4.6 CLUES TO ANSWERS

##### Check Your Progress

- 1) Refer Sec. 4.7.
- 2) Refer Sec. 4.6.

## **ANNEXURE I RECOGNITION OF IATA AND PATA**

International Air Transport Association (IATA) is the organisation of scheduled airlines. Its members (135 airlines) carry the bulk of world's scheduled air traffic under the flags of over 100 nations. For the airlines, IATA provides machinery for finding joint solution of problems beyond the resources of any single company. It has become the means by which they knit their individual network into a worldwide public service system, despite differences in languages, currencies, laws and measurements.

Since no airline can afford to set up sales offices in every city of the world, the airline industry has traditionally relied on sales agents as intermediaries in the market place. Over the years IATA has built up a working relationship with both UFTAA (Universal Federation of Travel Agents Association) and FIATA (Federation of Freight Forwarders Associations). As the commercial environment has evolved so has the Agency Programme. Today there are over 70,000 passenger agencies locations listed in IATA programme worldwide and about 4300 for cargo. IATA has divided the world into the following three broad geographical regimes referred to as Conference Areas.

**Conference Area I:** It includes all of North and South American continents, Central America, Greenland, Denmark, the West Indies, Island of Caribbean Sea and Hawaiian Islands.

**Conference Area II:** It includes Europe, the Middle East, Africa, Ascension Island and Western Asia, including Iran.

**Conference Area III:** It includes Far East, Australia, New Zealand, and Pacific Islands (except Hawaii, Midway and Palmyra).

IATA has simplified procedures for accreditation and has developed conditions tailored to meet local requirements. Agency's investigation agency consists of IATA members located and operating out of a country where applicant agency is located. These requirements are:

- 1) **Financial:** IATA requires a bond or an irrevocable letters of credit. The bond is a performance or a financial guarantee type of bond. The irrevocable letter of credit is a guarantee of payment issued by a Federally insured lending institution. The minimum amount required of IATA bond or irrevocable letter of credit is \$20,000 or equivalent. An IATA bond is obtained through a surety of a bonding company, while an irrevocable letter of credit is obtained through a bank. An attorney can provide advice concerning these procedures, and a bank may also provide advice with respect to irrevocable letter of credit.
- 2) **Personnel:** IATA requires that location shall have at least one trained person who is a full-time employee and on payroll of the applicant. This person must have had within past 3 years full-time experience in airline passenger ticketing and possess each of following qualifications.
  - a) Exercises daily supervision of and responsibility for the operation of that agency location and has the authority to make management decisions.
  - b) Demonstrates a working knowledge of Industry's Agent's handbook by completing a written questionnaire.
  - c) Has had at least two full years experience in either selling general travel services to the public or supervising the operations of a business offering such services.
- 3) **Location:** The location of the Travel Agency must be freely accessible and clearly identifiable to the public. The office must be primarily engaged in sale of passenger transportation, there are exceptions to accessibility requirements for restricted access and customer premises/locations.
- 4) **Other requirements:** Other IATA requirement for inclusion cover includes the following:
  - Identification of agency to the general public;
  - Name of agency should not be misleading;
  - Citizenship of the applicant;

- Financial integrity;
- Information regarding change of agency ownership;
- Information regarding change of agency's bank account;
- A separate license is required for commissions to be payable on the sale of services of IATA members;
- Application has to be made (format is enclosed) on applicant's stationery (In triplicate) to AIP;
- AIP (2 member's panel) is not an executing authority but it may not forward the particular application when it fails to meet the requisite standard for the approval. But reasons for non-recommending are stated in writing.

The most important benefit which permeates from IATA approval is that one gets the privilege of holding International Air Ticket Stocks of IATA member companies to earn commission on such sales.

## **ANNEXURE II SPECIMEN OF APPLICATION FOR IATA APPROVAL**

1. Name: \_\_\_\_\_ Date \_\_\_\_\_  
Are you a cargo agent: \_\_\_\_\_
2. Type of Business Sole proprietor  
Partnership  
Association  
Corporation
3. What is the Principal Business of your organisation
4. Is your organisation engaged in other types of business
5. Full address of the principal office of your organisation
6. Specify:  
Registered Capital Rs.  
Paid-up Capital Rs.  
Minimum Paid-up Capital Rs.  
Registered by the Law of the Country  
State Shareholder
7. Date of Establishment
8. If your organisation is cured by another organisation, answer the following in respect to parent organisation:  
Address and Name  
Principal Business  
Current Financial Statement
9. Trade Regd. No.
10. Specify the date and type of Govt. Licence required to operate your Travel Agency

11. State the name of Regd. Office which is to appear on IATA
  12. Address of Branch Office
  13. If approval is required for a Branch Office
  14. Date of Commencement of Business
  15. Length of time owned
  16. Name of Director/Managers
    - IATA/UFTAA Training Course
    - Extent of participation
    - Other Business Interest
  17. Qualifications of Staff
    - Bankruptcy
    - Default
    - Attach photographs of Interior/Exteriors
    - Entirely to sale-promotion of transportation
      - a) Floor
      - b) Surface area
      - c) Space for IATA
      - d) Means of access
  18. How is it separated from other business?
  19. What are display facilities available for advertisement number of show windows
  20. Located in a Hotel/Club
  21. GSA
  22. Profits of GSA/IATA agency
  23. Any customer has interest in the Agency
  24. Are you acting GSA of an Airline
  25. Non IATA Airline
  26. Approved as an Agent for Transportation Conference
  27. Statement of Sales
    - 1st year
  28. Production Agency will materialise
  29. Need for seeing ticket stocks
  30. You would be liable for loss
  31. Adequate facilities for storing ticket stock Steel fireproof cabinet
  32. Step to secure stocks
  33. Signature
-

## STATEMENT OF INTERNATIONAL SALES

- Financial Qualifications:
  - Availability of adequate liquid funds to meet normal trading circumstances
  - Capital is commensurate with fixed assets
  - Evidence of ability to trade profitably
  - Existence of charges
- Arbitration US \$750
- IATA numeric ticket
- IATA applicant standing
- One year in business
- 2 staff members as approved IATA Agent = 2 years' experience in international ticketing
  - Fare constructions
- 1. Working knowledge of IATA documentation
- 2. Fare construction principles
- 3. Currency
- 4. Cheer Rules
- 5. Interpret principles of excursion fare regulations
- 6. Related fares
- 7. Reroute, revision, revalidate
- No-under applicant
  - GSA for Agents
  - GSA for more than Airlines
  - Located at an Airport
  - Located at Club/Hotels
  - Similarity with the name of other Agent
  - Unsatisfactory Record
- Head Office
  - Branch Office
  - Non-qualified staff
  - Direct with Airlines
  - 1. New Business-non-diluting
  - 2. Adequate premises
  - 3. Good display windows
  - 4. Good decorations
  - 5. Adequate staff
  - 6. Knowledge of Air Ticketing and Reservation
  - 7. Procedures Healthy Airlines Business
  - 8. Capital 10,000/20,000
  - 9. Total Revenue Earned

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### **ANNEXURE III REGULATION FOR MEMBERSHIP OF UNIVERSAL FEDERATION OF TRAVEL AGENTS ASSOCIATION (UFTAA)**

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Universal Federation of Travel Agents Association (UFTAA) was founded in 1966, by merger of the International Federation of Travel Agencies (IFTAA) and Universal Organisation of Travel Agents Association (UOTAA). It now forms the only global federation of travel agents association and thus represents throughout the world.

UFTAA membership is made up of National Travel Agents Association or organisations from every country of the world. UFTAA at present has about 35,000 travel agencies. Full-time members of UFTAA are National Travel Agents Association or organisations. Besides the full members, the Secretary General of UFTAA may register individually any travel agency which is:

- A member of National Association which has membership of UFTAA.
- A member of National Association in a country which doesn't have UFTAA membership.
- Located in a country where there is no National Association.
- Any individual firm, company or other legal entities, such as, airlines, hotels or car rental operators, whose activities are allied to those of travel agents, may obtain registration on the same terms laid down for Registered Agents.

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### **ANNEXURE IV REGULATIONS FOR MEMBERSHIP OF PACIFIC ASIA TRAVEL ASSOCIATION (PATA)**

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#### **Membership Criteria**

- a) PATA membership can be held in only one category.
- b) PATA membership is held by an organisation, not an individual.
- c) Where an organisation engages in several activities, such as selling air and/or cruise line tickets (Travel Agency), conducting sightseeing tours for incoming visitors and packaging and selling tours to places within the Pacific-Asia area (Wholesale Tour Operator), the category of membership for which the applicant's eligibility is determined on the basis of the highest PATA dues category.
- d) If more than one category of membership is indicated on an application form, the highest dues category is assigned.
- e) For any category requiring that an applicant has been engaged in business for a minimum of two years, the applicant may request that one of the two years be waived if the application is accompanied by a letter supporting that the management staff has at least 15 years of appropriate experience.
- f) There is a one-time administration fee for new members in the amount of US\$150. This is in addition to the regular dues amount.

**Note:** Government and national Carrier member applicants should not fill out this form. A letter of intent will suffice.

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### **ANNEXURE V APPLICATION FOR PATA MEMBERSHIP**

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Application is hereby made to PATA for membership in the one category checked below:

**1) Government and Carrier Members:**

Should not fill out this form. Instead a letter of Intent will suffice.



**II) Corporate Members:**

Corporate Category: (Granted only to organisations with revenue of US\$ 1 billion or over).

**III) Industry/Associate Industry Members:**

**A. Industry Members**

- Head Office
- Wholesale Tour Operator
  - ( ) Gross annual volume of business: US\$ 1,000,000 or
  - ( ) Gross annual volume of business: less than US\$ 1,000,000
- Sightseeing operator
  - ( ) Gross annual volume of business: US\$ 1,000,000 or over
  - ( ) Gross annual volume of business: less than US\$ 1,000,000
- Hotel
  - ( ) 1500 rooms or more
  - ( ) 100-199 rooms
  - ( ) 200-499 rooms
  - ( ) 1 to 99 rooms
- Travel Trade Association
- Tourist Attraction
- Representative
- Travel Agency
- Branch Office

Name of PATA industry member of which you are a branch:

\_\_\_\_\_ Member Number \_\_\_\_\_

**B. Associate Industry Members:**

- General
- Media
- Education
- Associate Branch Office

Name of PATA associate industry member of which you are a branch:

\_\_\_\_\_ Member Number \_\_\_\_\_

**PLEASE RETURN THIS APPLICATION FORM TO:**

**PACIFIC TRAVEL ASSOCIATION**  
1, Montgomery Street,  
Telesis Tower, Suite 1750,  
San Francisco, California 94104

You will be invoiced upon receipt and approval,

USA  
Fax: (415) 986-3458

## FORMALITIES FOR PATA MEMBERSHIP

- 1) A prime requisite for PATA membership is the recognition accorded by the Department of Tourism, Government of India.
- 2) It is imperative to first become a member of the international PATA body headquartered at San Francisco. On obtaining their Membership, you will be invited to join the India Chapter Membership.
- 3) Your PATA HQ membership application form as well as "particulars of the Applicant" should be fully completed and returned along with the relevant documents to the PATA India Chapter Secretariat, New Delhi.
- 4) Your application will be examined by the Executive Committee of PATA India Chapter, who will then finally sponsor and recommend the same to PATA HQ, San Francisco. The India Chapter Secretariat will subsequently forward your documents to San Francisco, PATA HQ. San Francisco will not entertain any Membership Applications sent to them directly without the India Chapter's formal sponsorship. On confirmation of your membership with PATA HQ, they will send you their invoice which is to be paid in the US Dollars directly to PATA, San Francisco.
- 5) PATA India Chapter charges a sponsorship fee of US\$ 50 in its equivalent Indian currency. A cheque for this amount, favouring PATA India Chapter, must accompany your application.
- 6) Please do not omit to attach documents that have been specifically asked for.
- 7) In case of any further clarification on the membership formalities, please do not hesitate to contact:

Executive Secretary  
PATA India Chapter Secretariat  
# 509 Mercantile House, 5th Floor,  
15, Kasturba Gandhi Marg,  
New Delhi-110001  
Phone: 3325156 Fax: 3325156

## PARTICULARS OF APPLICANT

1. Name of the firm.
2. When established.
3. Full address. Telephone nos., Telegraphic/telex addresses of the office making this application.
4. Name of individual(s) who will represent the firm.
5. State whether the applicant has a sole proprietorship/partnership/a private limited company or a public limited company.
6. Give the name(s) of the proprietor, partner, or Directors of the Company as the case may be. Indicate holdings.
7. State the paid-up capital as on date. (In case of proprietorship or partnership, state the capital invested).
8. State whether the applicant is a Travel Agency/Tour Operator/Hotel.
9. a) State whether Travel Agency/Tours/Hotel is your principal business and how long has this business been established.  
b) Are you General Sales Agent of any airlines or shipping companies or any hotel chain.  
c) What special arrangements you have for booking hotel accommodation.
10. State places where you have branch offices with their full addresses and names of Managers.

**RECOMMENDED BY THE FOLLOWING TWO MEMBERS OF PATA INDIA CHAPTER**

1) Name	
Designation	
Organisation	
Signature	Date
Stamp of Company	
2) Name	
Designation	
Organisation	
Signature	Date
Stamp of Company	

**PATA INDIA CHAPTER DUES STRUCTURE**

**1. Annual Subscription (AS)**

A flat rate of Rs.15/- is charged per member. The bills are raised at the beginning of the financial year, i.e., 01 April of each year.

**2. Promotional Fees (PRL)**

Subsequently, a bill for promotional fees is raised which helps finance various activities conducted by the Chapter, e.g., administrative expenses, etc. A prescribed formula is followed on the basis of which these bills are raised in the proportionate share of travel agents, airlines, hotels, Central Government, State Governments, etc. The share of the travel agents segment is Rs.550/- and the hotels segment is Rs.650/- each per year. The bills are raised in the month of July each year.

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## **UNIT 5 MANAGING TOUR OPERATIONS – II**

### **(Field Operations – Inbound and Outbound)**

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#### **Structure**

- 5.0 Objectives
  - 5.1 Introduction
  - 5.2 Developing and Managing Linkages with Principal Suppliers
  - 5.3 Managing Recruitment and Trained Manpower
  - 5.4 Operations Department
    - 5.4.1 Inbound Tour Operations
    - 5.4.2 Outbound Tour Operations
  - 5.5 Managing the Marketing of Tours Packages
    - 5.5.1 Marketing In-bound Tours
    - 5.5.2 Marketing Out-bound Tours
  - 5.6 Let Us Sum Up
  - 5.7 Clues to Answers
- Annexure

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### **5.0 OBJECTIVES**

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After reading this Unit, you will be able to:

- appreciate the importance of liaising with providers of services at local and international level for tour operations,
- know about the management of available human resources,
- learn about the construction of fares and quoting fares for tours/packages,
- understand precautionary measures to be taken while handling inbound tour operations, and
- know the various procedures involved in tour operations.

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### **5.1 INTRODUCTION**

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In the management of tour operations you have to address primarily functions related to two areas, i.e., inbound tour operations and outbound tour operations. In inbound tour operations as a manager you have to design the product according to the market tastes and trends, attend and reply mail regularly by using latest means of technology, prepare quotations of fares, costing packages, supervising and controlling issues of vouchers as tickets as well as motivating your employees to achieve desired goals. As a manager you also have to provide in-house training to your employees on various aspects related to their jobs. Inbound tour operations also involve several field operations like arranging transfers, pick-ups and hotel check-ins as well as to ensure smooth connection of the group by rail, road and air.

On the other hand, outbound tour operations have always been the centre of attraction for all the employees of the organisation because they are also seen as a gateway for frequent overseas visits either as a part of familiarisation trips or to develop contacts with the principal suppliers of services. As a manager, therefore, your prime responsibility is to equip your employees with updated product knowledge by giving them first hand experience of outbound operations. On the one hand, you can develop your own outbound packages and on the other hand, you can also sell the packages of inbound tour operators of other destinations.

Thus, in this Unit an attempt has been made to familiarise you with management and operational issues related to tour operations. Some of these have already been discussed in TS-3 and TS-6.

## 5.2 DEVELOPING AND MANAGING LINKAGES WITH PRINCIPAL SUPPLIERS

Tour operations, just like any other industrial operations, largely depend upon the sources of supply. Here the point of difference is that industrial supplies are not visible to the consumer. For example, if you are producing edible oil, the consumer will not come to know who supplies you the raw material but in tourism operation suppliers like airlines, hotels, shopping malls, cultural attractions, all are visible for customers. Moreover, each one of these principal suppliers contributes towards the satisfaction of customers.

These service providers play vital role in your successful operation of tours and you need to develop and manage linkages with these suppliers. You have already been told that there are two areas of operations, i.e., inbound and outbound tour operations. Therefore, for each of these areas linkages work differently because the suppliers are different. In the case of inbound tour operations when you plan to design your product you are required not only to collect complete information on what type of travel products are available in the markets and at what price but also you will have to match the existing products with suitable target market segment. For example, if you are approached by a group of tourists having interest in Buddhist circuit, you must have complete and authentic information on all the components of this product including the providers of services and costs only then you can price and offer such a package. Here comes the need for developing contacts with the service providers to supply you with accurate information. If possible, conduct a familiarisation tour before taking decisions. Moreover, as a manager, you can negotiate well on various terms and conditions of such purchases when you have developed good rapport with them.

Principal suppliers may include airlines, hotels, transporters, insurance companies, health service providers, conference and convention organisers, shopkeepers/shopping mall owners and many more to complete the list, depending on the nature of the product to be packaged.

On the other hand, in case of outbound tour operations such linkages focus upon overseas suppliers who are also on look out for distributors of their products. You might have seen advertisements of Indian tour operators selling destinations like Singapore, Malaysia, Bangkok, Pattaya, Switzerland, France, Mauritius, Australia, New Zealand and many more at attractive costs. This all has become possible because of good linkages these tour operators are able to establish with their overseas suppliers. This has resulted in good terms for negotiations for both the parties, i.e., if overseas supplier assures good price you have to commit good volume of business. This forms the core point of difference between your quotations of a package from that of your competitors.

Thus, linkages can play crucial role in making your operations a success or failure. Therefore, you are advised to develop and maintain linkages and contacts with your suppliers both within the country as well as at other destinations.

## 5.3 MANAGING RECRUITMENT AND TRAINED MANPOWER

You have already read in MTM-2, MTM-3 and MTM-4, about the objectives and characteristics of manpower recruitment in any organisations. What you have learnt in these Units is also fully applicable on this trade. But each business/trade has its own characteristics and, therefore, certain modifications in recruitment procedures are required to suit these peculiar characteristics. In this Unit, our focus will be on recruitment and selection criteria or guidelines for successful operation of any tour operation business. It is obvious that since employees establish a direct contact between you and your customers, it becomes all the more crucial for you to select the right kind of staff to achieve your organisational goals. For other principles of personnel management you can refer to discussions given in MTM-3 which can also be applied to the tour operations business. While doing recruitment and selection of personnel for your tour operation business you must take care and caution because this business needs a highly professional approach for providing quality services. For example, if you have produced a wonderful package but your operational staff is not able to deliver in the same way as promised, it may lead to service gap and dissatisfaction.

In your tour operation business, therefore, you have to do certain preparation for recruitment. This means before you think of inviting people to apply for a job you have to decide what type of persons are to be invited and what would be their characteristics, i.e., you should outline "job specifications" for each position being created and filled in the organisation. This may include variations in physical specifications, mental levels, emotional and behavioural outlook and so on. For example, when you are looking for a person to handle pick-ups and transfer, desirable characteristics should be smart, good command over communications, hard working and someone who can work for longer hours with lots of patience. Similarly, when you are looking for a person to do costing/fare construction for you, the desirable characteristics should include good academic background having knowledge of world geography and international tariff regulation and a background in maths or finances.

In tour operations, job specifications may vary according to their area of operations. For example, in inbound tour operations your staff requirements may include:

- Supervisor pickup and transfers,
- Airport representatives,
- Reservation assistants,
- Domestic ticketing executives,
- Accounts executives,
- Drivers and chauffeurs, and
- Escorts/guides.

For each of the above-mentioned job you will find that required skills are different. For example, supervisor should be experienced enough to brief and train his/her staff on issues and considerations related to pick ups and transfers to hotels. It means he/she should be able to communicate effectively with his/her staff only then organisational objectives can be accomplished. For airport representative as already mentioned, should be smart, hard working person, who can work during odd hours because in India most of the international flights arrive at midnight. Therefore, such candidates should be preferred who can also work during day hours as Office Assistants. People working in accounts should possess competent qualification and experience because in tour operations most of the business is on credit and timely settlement of payment needs sincere attention otherwise you may have to wind up your business. Accounts executives are also responsible for controlling vouchers meant for transit transporters (pick ups and transfers) and for hotels.

Drivers and chauffeurs should have sound driving track record and full knowledge of routes and signalling patterns. Drivers and chauffeurs should have good command over communication and if possible good knowledge of touristic attractions in the area of their operations. They should also possess qualities like politeness, courteous, and with good sense of humour to make the tour a memorable experience.

Escorts and guides play a vital role in the success of any inbound tour operation. For example, the escorts' job starts the moment a group lands at airport in India. From airport facilitation to the entire conduct of the tour, it is the escort who represents your company. In fact, he/she is the walking image of your company.

In the field of outbound tour operations recruitment and selection of personnel is almost similar to that of inbound tour operations. However, the difference in the operation section of this department is that employees have to be selected keeping in view the fact that most of these employees deployed in operations would be visiting the destination that they have to market. Therefore, they must possess adequate skills and knowledge of one or more foreign languages. Skills may be related to the field of international ticketing, fare construction/calculation, itinerary preparation and so on. Here while selecting any candidate stress should be laid on sound knowledge of destinations and geography of the candidate along with touristic attraction of various popular destinations.

To conclude, we can say that well planned and executed recruitment and selection procedure in tour operations can prove crucial for your organisation. If right kind of people are selected, oriented and trained for these jobs, results would be better than your expectations. Precaution should be taken in putting right person at right job at the right time.

## 5.4 OPERATIONS DEPARTMENT

As it is already mentioned in the introduction of this Unit, that operations of tours are the backbone of this trade. These operations primarily take place in both the fields of inbound tours and outbound tours. As managers in the trade you have to ensure that the work force efficiently handles the tasks.

### 5.4.1 Inbound Tour Operations

For some weeks, or even months, you and your office staff has worked to obtain the business from, and conduct administration for, a group of clients. When these tourists are about to arrive, you must ensure to deliver all that you have promised while negotiating for the group handling. This is the moment to fulfil expectations and to prove that your company and your country as a destination were the right choices for their vacation.

A good impression, in the very beginning of the visit, will put everyone in the right mood towards an overall success. Reverse to this situation would make them feel that they have committed a mistake by choosing this country as a destination and they start foreseeing a lot of problems all during their stay. This could mean that they are likely to make complaints even over small matters, and it could also mean that they will refuse to buy the extra services which otherwise would have contributed to your company's financial gains. Hence, properly prepared, planned and well-conducted transfers of groups will ensure a smooth and happy start. While doing so train your staff to always put themselves in the clients' shoe and how would they feel after a long flight when they are not only tired but they may also be dehydrated (as a result of the physical effects of flying, and of drinking alcohol on the flight which exaggerates this effect). They may be suffering from the change of climate from their country to yours. (A North European coming to South Asia in January could be experiencing a difference of as much as 45 to 50°C which requires a little adjustment). They are often nervous, for there is a fear of a foreign culture, foreign food, foreign people of different races and colours, of getting lost, ill, or robbed, and who knows what others fears! Of course, you can also look at these fears in a more positive way and can be regarded as part of the challenge, the excitement, or travelling abroad. After-all your clients did choose to come to you. Therefore, you must train your staff to apprise the tourist(s) being comfortable and safe. Once this is achieved atmosphere of noisy and hot airport bureaucracy and rudeness of many immigration and customs officials, the delay for that luggage, and the inadequacy of the trolleys can also be overlooked by them because what clients expect from you at this stage is:

- feel safe and secure,
- satisfy physical needs,
- belong with others, and
- have their status recognised.

Everything you plan before, during or after their transfer must centre around fulfilment of these needs. You should also consider whether your clients actually need you to conduct this transfer for them? He/she may not, since most adults are capable of finding their way to wherever they wish to go. It may take them longer, especially if there are language problems, and it may be less comfortable, more expensive, and slower to do it themselves but still they need you because you can do transfers for them more cheaply, more quickly, more comfortably, than they can themselves, and you can also provide for all those personal needs which are listed above. If you are unable to manage all this you are as good as those tourists in arranging all this for themselves. Clients will soon realise this and your business will evaporate. Now let us look at what steps you shall take as a manager to ensure that all goes well and the clients' needs are met. In fact, several days before pre-arrival day you should cross-check:

- that required/requested kind of transport has been booked, i.e., booked vehicle should be the right kind of vehicle for the purpose.
- that your staff is using the most appropriate transport for your clients. Clients may have requested air conditioned vehicle or they may have been carrying a lot of luggage so that a larger vehicle or

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Everything you plan before, during or after their transfer must centre around fulfilment of these needs. You should also consider whether your clients actually need you to conduct this transfer for them? He/she may not; since most adults are capable of finding their way to wherever they wish to go. It may take them longer, especially if there are language problems, and it may be less comfortable, more expensive, and slower to do it themselves but still they need you because you can do transfers for them more cheaply, more quickly, more comfortably, than they can themselves, and you can also provide for all those personal needs which are listed above. If you are unable to manage all this you are as good as those tourists in arranging all this for themselves. Clients will soon realise this and your business will evaporate. Now let us look at what steps you shall take as a manager to ensure that all goes well and the clients' needs are met. In fact, several days before pre-arrival day you should cross-check:

- that required/requested kind of transport has been booked, i.e., booked vehicle should be the right kind of vehicle for the purpose.
- that your staff is using the most appropriate transport for your clients. Clients may have requested air conditioned vehicle or they may have been carrying a lot of luggage so that a larger vehicle or

even a second vehicle especially for the baggage may be needed. (This particularly applies to active special interest groups like divers, climbers, trekkers, and campers).

- the transport arranged by your staff must be reliable, safe, well maintained and clean. The driver must be briefed as to exactly where the transport will be located in the airport terminal building and how escort can locate it. You must check if a voucher is required for transport and hotel must be released by you well in advance and must ensure that there vouchers are prepared for all items and after rate agreed. If there is need for some cash for payment of portorage of luggage then you must assess the required amount and release the cash. Ensure that your staff has informed the transport company about the number of passengers and bags expected and other relevant details.
- As a good manager/supervisor it is your responsibility to ensure that hotel rooms in required numbers shall be made available on arrival and you shall also advise the hotel front office and house keeping about what time the clients will actually be arriving in the hotel so that the housekeeping department is ready for them (this is especially true in the case of very late arrivals). Not only this you should also apprise your staff about other needs of your clients.
- You must always brief the escort to collect and carry information on:
  - Flight number;
  - Name list;
  - Details of transport, transport voucher;
  - Hotels' name and address, rooming list and hotel voucher;
  - Together with any special details such as the nature of the group, difficulties with mobility, VIPs, etc.; and
  - Greeting/sign board (individual tourist's placard giving name of the tourist, country coming from or company he/she is representing, etc.).

In some cities where there is a long transfer between airport and city there is a representative who meets at the airport and then despatches the group to the hotel where another representative awaits. In such cases it becomes important for you to arrange for both. In an identical briefing, but, of course, one who receives at the airport has the transport vouchers and one who escorts them to hotels will have the hotel vouchers. In such a system you need to develop proper communication systems between both the employees and try to provide both of them mobile phones so that both of them can update each other about the movements of the tourist(s).

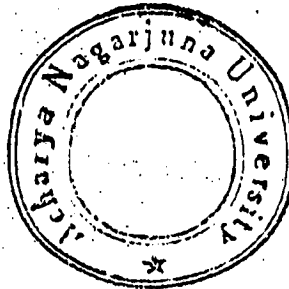
It is for you to develop a culture of checks and rechecks among your staff. For example, before reaching the airport they should call the airline and establish the Actual time of arrival. This is possible only when the aircraft has actually left its departure point. Advise them not be persuaded by the scheduled time of arrival which can be widely different due to technical or non-technical reasons. If there is a substantial change to the timings ask them always to advise the transport company and the hotel of changes, accordingly. You must ensure that your transfer staff has reached at the airport before the passengers come out of the waiting hall. Tell by your experiences for how long it may take for passengers to come out of the immigration cell. Try to provide your staff an airside pass only then he/she enter the customs hall assisting and greeting passengers. In some airports where this is not allowed because of security concerns you must apprise your staff of the same so that they shouldn't commit any thing of this sort and while doing transfers they must position themselves, in public/visitor's gallery immediately outside the customs hall closely indicating their guest's/group leader's name.

- You should take precautions at this point of time to gain first impression for your company since you will not get another chance to repair your impressions,
- Your staff should be clean, neat, and very well groomed (Use the personality factor),
- Your staff should be wearing a badge which identifies him/her as the official in charge of your clients; and

- If possible your staff can wear a uniform since this also helps your client to easily recognise and trust the staff deputed.

In short, you must equip your airport transfer boy/girl with the following material ready for use:

- Badge,
- Uniform as prescribed,
- Greeting board,
- Name list,
- Clipboard and pen,
- Mobile phone or phone card or coins,
- Tips or voucher for porters,
- Transport vouchers,
- Hotel vouchers,
- Welcome packs and/or gifts,
- Hotel registration cards, and
- Smile of the escort.



Certain other aspects to be taken care of include:

**i) Passengers' Identification:**

You must train your staff to greet tourists cheerfully and briefly welcome them, and tick them off on his/her list (for the purpose of security and status), ask them to wait in the waiting lounge so as to allow all members of the group to assemble. In case, if he/she finds that someone is missing, immediately ask the airport information service to announce:

- Name of missing passenger,
- Name of tour group,
- Place arrived from,
- Easily identifiable meeting point, and
- Ensure this announcement is in the language the passenger speaks.

On rare occasions when the passenger does not appear, your staff must be apprised of procedures as to immediately check with the airline that whether the group was in fact on board the flight or not. If not, there is no need to wait. If so, then your staff is required to repeat the public announcement and shall also leave a written note at the information point giving advice to the passenger about how to catch up with the group. You must advise your transfer staff to wait for at least 30 minutes and then continue with the transfer. It is advisable that at all stages of tour your staff keep the other passengers informed of the reasons for the delay (This reassures them that you are doing a careful job).

If any passenger reports loss or damaged baggage in the customs/baggage areas your staff shall be trained to fill forms for tracing/ replacing the bags obtained from the airline staff. This is where your airside pass would of great help. Your staff at this juncture shall reassure the passengers, who feel very scared under this situation and may become very upset. Make sure that the airline gives the passenger copies of all forms filled in and that these are carefully kept by the clients as they will be required for insurance claims. The airlines are responsible for finding and forwarding lost bags and fixed rates of compensation are payable to help with the cost of toiletries, and other essentials when bags are lost or delayed. In such cases your staff shall offer themselves to go with the client for this essential shopping.

Another critical situation comes when at any point of time your staff has to leave the clients to attend to another matter advise them to always "signpost". This means that should not just disappear but they explain therein where they are going and why. Failing to do this can lead to chaos amongst the group members. Examples could be "please stay here I am going to check on the coach" or "I will be back in 10 minutes, I am going to help with that damaged bag".

When your staff has all the passengers, and all their bags are accounted for, he/she should lead the group to the vehicle holding the welcome notice high so that they can follow them through a crowd. Go steadily, so that all can keep up, and talk to the passengers in a welcoming manner about their journey, etc. It is advisable that you should instruct your staff to take care of group members while crossing roads. Before boarding the vehicle your staff shall also ensure that each person checks/is requested to identify their own bags been loaded. Usually, the loading will be done by the porters or the driver but they cannot be expected to know which bag belongs to whom. Before moving off welcome the group again, saying your name clearly and checking the number of passengers present is still correct. When your driver is driving a group to the hotel you should advise him to introduce himself as well the name of the hotel and tell the group the approximate driving time that they take to reach there.

## ii) Departure Transfers

Tourists who arrive in groups or as individuals are required to go through transfer procedure once again, i.e., the departure transfer. The departing experience of a client is as crucial as arrival transfer for your company's image. Departure transfer for your clients is to be handled very professionally by your staff. Like the arrival transfer it starts some days beforehand. Within 72 hours after arrival all scheduled seats for the next sector should be reconfirmed. This means that you should have gathered up all the tickets and done this for your clients. Beware, there are just a few airlines which have different requirements such as "reconfirm within 72 hours of departure" and failure to comply can lose clients their seats. Get to know your local situation. You are supposed to act professionally while handling/supervising such transfers. For instance, each and every client must be advised in writing one day before of their flight time and date and pick up time from the hotel. This can be achieved by putting a notice on the tour notice board, or you can leave a letter for each client with reception. (If you do not put this in writing there is a risk that a client who misses the flight can blame you.) Details of any departure tax payable should be included. Once again, you need to reconfirm transport and voucher arrangements with the transport company and double check that there is no change in the flight time. You need to establish and inform how much in advance before the departure clients should settle their extra bills at reception. Computerised accounts of hotels can usually issue bills just before departure unless the group is very large, but some properties prefer this to be done a night before.

On departure day you shall advise your staff to follow the departure transfer checklist (given below) which is essentially the same as for the arrival transfer. Remember that the customers' needs are the same, i.e., full attention. He or she may again be nervous and unsure but by now has developed trust in you and should be easier to direct.

### Departure Transfer Checklist

- Brief clients in writing and in advance,
- Brief hotel and porters to be ready,
- Be at hotel early,
- Ask reception if everyone has paid extras,
- Gather up clients, phone rooms of those who do not appear,
- Load bags (each client to confirm),
- Remind clients to:
  - pay extras,
  - return keys,

- empty safe deposits, and
- have passports and tickets in hand luggage.
- Load passengers,
- Depart for airport,
- On route explain procedure at airport,
- Explain what facilities there are airside (toilets? Post office? Duty-free? Bars? Café?),
- Drive as close as possible to check in area,
- Before leaving bus wish them a safe and happy journey home and that they will come back soon. Sound as if you mean it,
- While saying goodbye some passengers may offer small tips and gifts. Thank for these but **NEVER** solicit them,
- Assist with getting porters/trolleys,
- Assist with check in procedures/airport tax paying, etc.,
- Escort to security and passport control,
- When all have gone airside you can leave but not before, and
- If there is a delay before the clients have gone airside you are still responsible for them.

### iii) Other Areas for Supervision in Inbound Tour Operations

Tourism is a very sensitive industry as it deals with people and their holidays. In the preceding sections various aspects that are necessary were mentioned for making the customer feel comfortable. However, certain other aspects should also be taken into account.

- 1) As a tour operator you must manage your finances well.
- 2) As a tour operator, besides having proper product knowledge, you must also have a proper understanding about the functioning and role of each organisation (like airline, hotel, surface transport, Government department, such as, Archaeological Survey, Ministry of Environment, etc.). He or she should also analyse the options available and work out contingency plans.
- 3) You, as well as your employees in a tour operation company should always be prepared to react to any sudden development (strikes, health problems, political upheaval, non-availability of hotels or airline seats, etc.) to handle such situations, you should train your staff to take on the spot decision to offer solutions.
- 4) Increasing use of technology has considerably changed the nature of operations management. However, computers, fax machines and even telephone systems also keep breaking down (e.g., power cuts, etc.). Hence, it is important that you should also train your employees in manual systems as it comes handy in times of crisis.
- 5) Market research, market segmentation, understanding the tourist markets, tourist profiles, etc. are essential for achieving success in business and a tour operator must pay considerably attention on these aspects. Besides, proper linkages have to be established with principal suppliers. Preparing attractive brochures, participation in travel marts and travel conventions help the tour operator in increasing business. Many tour operators are also going for direct selling to the consumers by putting advertisements in the print as well as electronic media.

### 5.4.2 Outbound Tour Operations

This department specialises in providing facilities to only those passengers who intend travelling abroad. In order to perform a variety of jobs, it can be divided into following small sections:

### **i) Documentation Section**

To travel abroad one requires procuring a number of documents and fulfil a set of formalities. This section, therefore, focuses upon these formalities and documents required for all types of foreign travel. Any person wanting to go abroad shall have to come into contact with the documentation section of the travel agency/tour operations department. It is only after asking the reason of visit you can and shall advise him/her about the documents needed for obtaining the required visa of the country of visit or for any other approval like that of RBI or Income Tax Office.

The formalities and the documents needed for travel abroad differ according to the purpose of visit. There are various reasons for travelling abroad – tourists for higher education, business, medical treatment, immigration, etc. In each case the formalities and the supporting documents differ not only from country to country but from the point of view of motives of travel also.

### **ii) Visa Section**

This section keeps all the information for the formalities involved in obtaining visa for different countries. The staff collects and endorses passports on behalf of passengers and delivers them to passengers much in advance from the date of journey.

### **iii) Reservation Section**

This is another important section which deals with the reservation of transport and hotel accommodation. The staff in this section has to be well conversant with all the airlines' timetables, airfares for different sectors and hotel accommodations, types and tariffs at most visited destinations. After taking note of all the details of the programme information is recorded by them on a specially printed sheet of paper. Thereafter a suitable travel plan is drawn giving suitable flight connections with arrival/departure timing and places of stay. It also makes an approximation of the cost for staying and the airfare. After the approval of the travel plan, a finally typed copy is given to the passenger for his reference. This is known as itinerary.

After getting the itinerary approved the reservation section contacts the concerned airlines and asks for the flight confirmation as per the programme. On obtaining all the confirmations, the airline informs the agent that all the onward reservations are ready. On receipt of this information the agent issues its voucher drawn on the airlines asking them to issue their tickets in favour of the passenger as per the details of the flight given in the voucher. Some of the important contents of voucher may include:

- a) Name of the Passenger,
- b) Place to be Visited,
- c) Date,
- d) Flight Number,
- e) Time,
- f) RBI Permit Number,
- g) Passport Number,
- h) Applicable Fare, and
- i) Agent Code Number.

After receiving this voucher the airline issues the tickets. The ticket is sent to the agent who crosschecks it and after complete satisfaction hands it over to the passenger.

Thus, it is seen that you have to provide a number of services to the passenger for which no extra amount is charged. The passenger gets the benefit of guidance and services from you. You must acknowledge the fact that in your absence he/she would have had to waste a lot of time, energy and money.

Another feature of outbound tours is selling the packages of the inbound tour operators of other countries. There are few big companies who develop their own outbound packages and the product designing in such cases involves all steps that are necessary for developing a tour package. However, when you act as a seller of others, you must ensure that the package actually has in terms of services all that which has been promised. Firm trips, linkages and experience help in this regard. Such a precaution is must because it is you who is selling to the tourist. If anything goes wrong the tourist will hold you responsible and the same will be the case in a consumer court.

## **5.5 MANAGING THE MARKETING OF TOUR PACKAGES**

Marketing techniques and strategies for tourism services are already discussed at length in MTM-6 (MS-6). These marketing strategies are basically related to appropriate application of marketing principles like product, price, promotion, place, people, packaging and process (marketing mix). While marketing of tour packages, application of each of these principles vary in inbound tours and outbound tours.

### **5.5.1 Marketing Inbound Tours**

While marketing inbound tours focus is on popularising your product in tourist generating countries so as to attract tourists. Therefore, emphasis is on developing marketing programmes targeting at achieving this goal. So far in India, we have been following traditional methods of publicising our products through 18 overseas offices of Department of Tourism. Only a few tour operators having their offices in other countries too, print and circulate their brochures highlighting the special features of their products, otherwise mostly bank upon the marketing efforts of Department of Tourism. This method is so conventional that even when any small or medium sized tour operator wishes to participate in international travel exhibition or exposition like ITB, Berlin one has to go through Department of Tourism because space is booked by them and then it is sold out to Indian participants through Indian Association of Tour Operators (IATO).

If you want to succeed in inbound tour operations you are required to make efforts for getting a direct access to overseas markets. This can become possible once you start your marketing programme with one world principle, i.e., "customer care" or "quality". Desired quality of the product and proper customer care to the tourists booked by your overseas contact acts as marketing tool for you. This is because your overseas contact develops a confidence in your company. You should also be prepared to design on demand packages as per the tourists' interests.

When you have designed your products with above-mentioned mantra in mind, pricing will never act as a hindrance for effective marketing. As a conventional practice in the trade, whoever was providing the product at lower rates could get the business. But today these trade players have shifted their focus to quality rather than quantity while pricing their products. As a result, the market is divided in to two blocks - one who is targeting at budget class or mass tourists and other block in targeting at niche markets who are not bothered by prices of product.

You have already been told that promotion for quality products is word of mouth rather than expensive marketing campaigns as far as individual tourists are concerned. For example, even before buying a package to India inbound tourists gather a lot of information from those who have already visited India. As a result when an independent foreign tourist (FIT) lands at airport he/she looks for taxi driver to drive him/her to a particular hotel at place X. Not only this he/she has to complete idea of the location of such place of stay. This has become possible due to word of mouth publicity and promotion of quality products. Therefore, if you want to be a successful tour operator you must try to market package tours which are the combinations of quality conscious service providers in the trade.

Once the product is designed priced and promoted by application of appropriate tools, its distribution (place) requires proper planning. You have the option of either going directly to the consumers by sending messages to foreign tourists through their print and non-print media or you can plan your marketing efforts in an organised manner along with other trade players. Many countries use their tourism offices and embassies for tourism promotion. In such cases you must apprise the Tourism department about your products.

Marketing of inbound tour operations should centre around quality assurance at all levels of product designing, development, and product delivery/promotion, post-delivery efforts are making an impact on your overall marketing philosophy, i.e., whether you gather feedback and analyse it or not. Thus, you are advised to practise all these and other creative activities to be a successful inbound tour operator.

### 5.5.2 Marketing Outbound Tours

Unlike inbound tour operations here the target group is ever increasing and ever changing particularly in developing countries like India. In 1970s and 80s outbound tourism was seen as an elite practise and moreover a few destinations in Europe were popular like London, Paris, Switzerland. These destinations were heavily publicised by Indian movies of that period. For example movie like "An Evening in Paris", "Night in London" and "Around the World in Eight Dollars" and many more movies with the same focus. Late 80s and early 90s saw a shift in this trend and Indians started looking for other destinations than these traditional ones. This changing trend coincided with the aggressive marketing campaign of Singapore Tourism Promotion Board and as a result today out of 5 million outbound Indian tourists nearly 65% are registered with Singapore, spending almost Rs.1500 crores a year.

While marketing to this ever-increasing size of market you will have to keep in mind that you have to be different in your approach not only in terms of product prices, product quality but also in terms of your product knowledge. In other words, any product be it Singapore, Malaysia or Switzerland, you must familiarise yourself and your marketing staff with these destinations. Only then you can present a convincing picture of the destination in front of your customers.

You know that tourism being intangible, it is very difficult to sample it. It is, therefore, your first hand knowledge of the tourist destination(s) you are representing which will help you in marketing them effectively. Most commonly used tool to achieve this goal is take advantage of familiarisation tours conducted by these destinations as promotion tools. These familiarisation tours are discussed at length in Unit 6. Moreover, you or your staff can avail of the facility of group escort, visiting either of these destinations. It's a matter of practice on a group of every 10-14 passengers you get one complimentary ticket. Same is applicable on hotel bookings. Thus, you can train your marketing staff by equipping them with the first hand knowledge of their products.

As an effective marketing manager you shall divide your marketing department according to different destinations you are planning to represent, e.g., if you are representing four destination but within the same continent, i.e., Europe you need not departmentalise. But if you are representing four destinations falling in different continents (TC Areas) then to train your staff you should departmentalise it.



## 5.6 LET US SUM UP

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In this Unit, we have familiarised you with guidelines regarding the management of day to day function in a tour operation company related to inbound and outbound tour operations. It is essential for a tour operator to equip himself/herself as well as one's employees with market conditions and product knowledge. The best method for the first hand product knowledge in either case would be the utilisation of familiarisation trips being offered by providers of services. As an effective manager you are required to plan and manage various activities related to inbound and outbound tour operations. For example, liaisoning, costing, packaging, briefing, business correspondence, etc. It is for sure that if you are able to handle these vital issues with the objective of providing customer care, nothing can stop you from becoming a successful tour operator. You should not forget that today as a result of technological revolution destinations which were hitherto been unknown and inaccessible to people have come within their reach. Thus, once again you are required to update yourself on various new travel circuits that have been developed on global tourist map and consequent changes in rules, regulation, and fees.

As you know that outbound tourism market has outnumbered the inbound tourism in India, it is believed that this trend would continue for another decade. It is, therefore, advisable that you also focus upon other areas like arranging meetings, conferences, and exhibitions of different trade guilds in India to demonstrate their products in overseas markets. This will bring not only ticketing business but will also earn you commission on areas like hotel bookings, insurance, space booking, shopping etc. Insurance and foreign exchange endorsements can generate lot of revenue for your company if proper attention is devoted to these areas.

In addition, overseas education is also a promising area which can generate a lot of revenue for you, if you develop contacts with one or more foreign universities as their official representative in India. This again will provide you with ticketing business too.

## 5.7 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer Sec. 5.2.
- 2) Read Sec. 5.4.
- 3) Base your answer on Secs. 5.4 and 5.5.

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## ANNEXURE

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In TS-3 you were made aware of certain ticketing and other operations. As a recap we suggest you read this annexure and refresh yourself on the theme:

### Reservation on International Airlines

International airlines or the 'flag carriers' represent their country and normally have their own country's flag painted on the aeroplane. The majority of the international carriers are owned and sponsored by the governments of their respective countries. The international airlines and routes require an agreement between the various governments based on political and socio-economic consideration as well as the frequency of flight negotiations between the two countries. Therefore, the International Air Transport Authority (IATA) attempts to resolve policies and fares applicable to the participating international air carriers.

As a travel agent, it is necessary for you to use several airlines to complete a trip since no single airline give or can give services for every city. It becomes essential for you to know the major route structures and remember the general geographical regions serviced by each airline. Airlines and travel agencies must have a complete copy of all tariffs at all offices where air tickets are being sold in order to obtain the correct fares. As soon as the latest revision in tariffs is received by you, you must review and revise them promptly. To maintain a tariff plan properly, you should compare each revision transmittal number with the list on the cover sheet to be sure that each revision is in sequence and complete. You should check the correct number on the pages published in the front of each tariff. You should also know each effective date and any information on the transmittal that is especially important and then collate and insert in the tariff on all effective pages.

The local and joint passenger rules tariff provides the individual and group airlines policies governing the transportation of passengers and their luggage. There are airline rules for handicapped passengers, children under five years of age travelling alone, carrying fire arms abroad, a commercial flight, food service abroad flight, excess baggage charges and regulation in the tariff rules governing all aspects of airline and passenger relations. Recently the use of plastic cutlery on board has been made standard on all flights as a result of the September 11 attack on the World Trade Centre. Once the new tariff rules are approved and regulations passed these become official dealing with passenger handling. It is mandatory that your and airline employees must follow the rules published in the tariff otherwise you or your company will be liable to pay the penalties. Similarly, the local passenger fares tariff contains different regular fares of each participating carrier. A careful study by you will make you understand these fares quite easily. The joint one-way and round-trip fares and rules are published to cover transportation by two different airlines. In other words, a joint fare becomes one fare covering transportation over two different carriers with the stipulation that the passenger must change plane in a certain specified city. In the joint fare it becomes a lesser amount than the sum of two one way fares would be charged over the same route.

### Ticketing Rules and Regulations

#### a) Guidelines for International Tariff Rules

As a manager in a tour operation company you need to acquire knowledge related to tariff construction for which certain guidelines may be used by your staff. While reading and finding the international tariff rules the following points must be observed by you:

- a) Refer the latest edition of air tariff including the most recent supplements,
- b) Check the airline tariff fare schedule for the applicable rule,
- c) Consult the tariff index for the rule numbers,
- d) Check the rule for the conditions governing normal and special fares. Identify the section of the rules most applicable. Make sure that there are no recent changes in fares,
- e) Refer and read the concerned rules thoroughly,

- f) Read the portions of the rule which are applicable to the carriers.
- g) Check the rules regarding the carriers in question, and
- h) Make a study of the proportions specially which begin with 'applicable to' and 'not applicable to' to see, if the carrier is mentioned.

#### B) Reference of Travel Directories for Ticketing

To function efficiently in the travel business you shall be able to give customers complete and correct information. The information on airline schedules is of particular importance. All airlines publish their own schedules of flights. However, to avoid maintenance of schedules for each and every airline, you can use one of the two comprehensive guides which has updated information on all the airlines timetables, viz.:

- ABC World Airways Guide, and
- Official Airlines Guide (OAG)

These guides are available worldwide and are updated on a monthly basis. You must always ensure that you are using the current edition and you must be familiar with their layout and how to use them efficiently. The Official Airline Guide is normally used in North, Central and South America. However, the ABC World Airways Guide is the one which is most commonly used in Asia, Europe and Africa. You have read about them in detail in TS-1. However, you must remember that these would enable you to supervise and manage your tour operations effectively and efficiently.

#### a) IATA Codes

The International Air Transport Association (IATA) has developed a three letter coding system for major cities and airports of the world. There are number of reasons for this, the most important being that there are many places with the same or similar names and errors could occur. However, each place has its own different three-letter code. These reference guides state IATA codes, minimum connecting times, arranging and checking airline tickets. These are recapitulated in brief for your reference:

It is not necessary to learn these codes by heart at once as you can always refer to them in either the ABC World Airways Guide or the Air Passenger Tariff. However, listed below are the three-letter codes for some airports of the South Asia region. With regular use of such codes, you will become more familiar and will recognise the ones most commonly used instantly. You should try to learn as many as you can by remembering each new one as you come across it.

COUNTRY	AIRPORT	IATA CODE
BANGALADESH	DHAKA	DAC
BHUTAN	PARO	PBH
INDIA	DELHI	DEL
MALDIVES	MALE	MLE
NEPAL	KATHMANDU	KTM
SRILANKA	COLOMBO	CMB

#### b) Using ABC World Airways Guide

The ABC World Airways Guide comes in two volumes. The first volume has some general information and schedules from cities belonging with A to M. The second volume gives schedules from cities N to Z. It also has other information such as car hire directory and rates and an airline feature section. It also has each airport/city having a three-letter code and each airline a two-letter code, called a designator. The ABC will give airline designator codes and airport codes in alphabetical order. The ABC also contains an instruction section on how to read the ABC. You should refer to this section if you are in doubt.

When you need to use the ABC, it is important to know the layout of the information contained in it. It is presented in logical format and always follows that format. Here is an example of how the ABC is laid out.

Validity		Days of		Flight			Stops
From	To	service	Dep.	Arr.	No.	Acft.	Class
From	<b>NAME OF THE CITY OF ORIGIN</b>			<b>NAME OF COUNTRY (IATA CODE)</b>			
Apt. (This section gives details of the airport or airports of the city of origin)							
Str. (This section gives details of ground transportation available to and from the airport. It also details check-in-times)							
Destination city	Local time of	Local time	Flight	Aircraft	Class of	Stops	
Details limitations	departure	of arrival	number	type	service	if any	
On schedule							

The schedule is laid out in alphabetical order starting with the city of departure. This city will appear in bold typeface. The word "From" is placed before the city. The country name and the IATA three-letter code will follow the departure city's name. Thus, if you are looking up flights leaving male in the ABC, the information will appear as follows:

From **MALE** Republic of Maldives (MLE)

The next heading is APT which stands for airport. This section gives information on airport name or names (for cities which are served by more than one airport), the distance from the city centre, the check-in times by which passengers using the airport must present themselves, and details of transportation available from the airport to the city.

Once you have found the airport form which a client wishes to travel, the next thing to do is to find the city to which he/she wishes to travel. These are called arrival cities and are listed in alphabetical order below the city of departure. They are written in medium typeface and are followed by the three letter city code.

After finding the departure and arrival cities, all you have to do is look for the flight schedules linking one to the other. The ABC lists all scheduled direct flights plus a number of transfer connections (which would mean a flight change) between the city of departure and the destination. The flights connecting the two locations are listed in time order using the 24-hour clock system. The flights are shown on one line and give the departure and arrival times for the flight.

Once you have found the flight schedules for the selected routing you need to check that the flight is operating on the date the passenger wants to take the flight. This information will appear in a column before the flight time. It is written in date format and shows the dates the flight operates. If no date appears it means the flight operates for the duration of the published guide. The ABC also indicates the days of the week flight operate. This information is given by numbering the days of the week. For example, 1 = Monday, 2 = Tuesday, and so on.

Under the column Dep. and Arr. the times given are the local times of departure and the local time of arrival at the city of destination. A three-letter airport code may also appear if the destination city has more than one airport.

The next column to be referred to is the Flight No. column. This column gives the airline code followed by the flight number. Airline codes are two letter codes for the airline flying the particular route. You do not have to memorise these codes as they are given in the ABC World Airways Guides. Information is also given on the type of aircraft that will fly the route, the class of service available on board and the number of intermediate stops made en route from one city to another. For your reference one duly filled up schedule is given below:

Validity From	To	Days of service	Dep.	Arr.	Flight No.	Acft.	Class	Stops
MALE	COLOMBO	Sri Lanka (CMB)						
Dec. 1	Jan. 31	1157	0800	0830	UL 101	310	Y	0
		12345	0930	1000	UL103	737	Y	0

### c) Minimum Connecting Times

The ABC World Airways Guide also details on **Minimum Connecting Times (MCT)**. A minimum connecting time is the time needed by a passenger to make a transfer from one flight to another to complete his/her itinerary. It is important that you give customers this information so that they can meet connecting flights when necessary.

The time needed to get from one aircraft on its arrival to the next is expressed as a **minimum amount of time**. Of course, if you have slow or elderly passengers you should allow more time by booking a later onward flight.

When you book connecting flights and allow the minimum connecting time, or longer, and the passenger misses the second flight, the airline which brought him to the connecting point will accept the blame and arrange onward travel, or pay for a hotel overnight for the passenger affected. However, if you undercut the connecting time, and the passenger misses the flight, then the extra expenses will be your company's responsibility! Don't do it! (If you book through one of the CRS-computer reservations system then the MCTs are built in for you).

You must be aware of time zones and the time calculations world over are based on **Greenwich Mean Time** and the international date opposite it.

### d) Arranging and Checking Airline Tickets

Airline tickets issued for travel are very important documents. They are evidences of contracts made between passengers and carriers (note, not between agent and passengers). The passenger is given the ticket upon payment of money. This ticket will specify all the necessary details of the passenger, the itinerary, the dates of travel, the class of travel and the fare which has been paid.

**All tickets must be completed accurately and with great care. If passenger tickets are incorrectly completed it can cause problems for the passenger and may result in a loss to the travel agent. The International Air Transport Association (IATA) publishes a Ticketing Handbook which should be consulted if you are in doubt.**

Fully licensed IATA travel agents hold stocks of blank tickets for the various airlines. Those which use **CRS (Computer Reservation System)**, hold stocks of universal tickets which can be used for any IATA airline. When a ticket is sold by a full IATA agency the airline will pay the full commission rate. This can vary but is usually **9%** of the fare.

Some travel agencies do not have an IATA licence but can still sell tickets. They have to obtain tickets from an airline or from a full IATA Agency. Because they do not hold the ticket stocks their staff do not calculate the fare or write it on the blank tickets. This work has been done elsewhere. However, if you are working supervising a non IATA office you are still able to check whether your partner, agency or company has done correct calculation or not as it is your client who will face discomfort or inconvenience and not their and so, it is your responsibility to care for your own customers. Where ticket issue is done by another organisation you will split commission and may earn around 4 or 5% of the fare as sub-agent commission.

When a ticket comes out of the safe it looks like a book of coupons. Each coupon has a function. Every airline ticket will have the following coupons:

**Audit Coupon:** This is for the accounts department of the particular airline. It is taken out when the ticket is issued and attached to a sales report.

**Flight Coupon:** These are also for the airline. There is one for each sector that the passenger will fly. The correct coupon is extracted from the ticket when the passenger checks in at the airport and is exchanged for a boarding card/pass. Tickets come as TWO or FOUR coupon "booklets" and where a passenger needs to use more than one "booklet" then tickets containing the same number of coupons are used. For example, if a passenger made reservations for a six sector journey then two four coupon tickets would be issued and not one four coupon and one two coupon. The two remaining coupons would be voided to prevent their use.

**Agent Coupon:** This is for the agent's records. It is removed when the ticket is issued to the passenger (or to you by the issuing office).

**Passenger Coupon:** This is for the passenger. It details the itinerary, the dates and times of travel and the amount of money paid for the ticket and is all that is left of the ticket when the journey is complete. Business travellers often require these for their expense claims in their offices.

Airline tickets also contains pre-printed information which must advise your customers to read carefully covering:

- Conditions for the contract,
- Details of the limits of the airline's liability, and
- Reconfirmation requirements and items which may not be carried on board an aircraft.

When issuing tickets which are completed manually (i.e., tickets not automatically printed from a Computer Reservations Systems) **EVERYONE SHOULD BE TOLD TO:**

- use only **BLOCK CAPITAL LETTERS**,
- make sure that the handwriting is clear and readable,
- make sure that the information is clear on all coupons,
- use a blue or black ballpoint pen with a fine nib,
- write the ticket in English,
- never cross out anything on a ticket (if a mistake is made in filling out a ticket cancel it by writing VOID across the whole ticket and send it back to the airline), and
- never destroy an airline ticket even if mistakes are made during completion.

#### e) **Manual Completion and Checking of Airline Tickets**

Airline tickets are best thought of as forms. Each box on the form (ticket) has strict rules about what should be written in it and how it should be written. Full details of each box are also given in the IATA Ticketing handbook. Any variation makes the tickets useless and you will have a very unhappy customer.

You need to learn exactly what must appear in every box. You can advise your less experienced staff to write a ticket on a photocopy sheet first and once this work is checked and corrected, then it can be copied carefully onto a real ticket for issue. This is a good way of learning as there is no risk and you can make as many corrections as you need to. For your reference a checklist:

- 1) **Name of the passenger may include:** The surname is written first, followed by a '/' and the first name or initial of the passenger and then Mr., Mrs., Ms. Or Miss as appropriate. If the passenger is travelling to a place where someone will not know how to address him or her then it would be helpful to underline the name by which he or she should be addressed, which is usually the family name.
- 2) **Check the cities** from which the passenger will fly (point of origin) any places where he must change planes (intermediate points) and the final destination in the column marked 'Form'.

Example:

x/o	NOT GOOD FOR PASSAGE
	FROM LONDON Heathrow TO PARIS Charles de Gaulle TO GENEVA TO VOID

Ensure that "VOID" is written in any box not completed.

Note that many cities have more than one airport. In this case the name of the airport to which the passenger will travel as well as the city name must have been written. If this has not been done then you must ensure that the itinerary you give to your client is very clear on this matter. In big cities there could be three or more hours by road between airports.

- 3) Check the maximum baggage allowance which can be carried free of charge in the column marked 'Allow'.

Example:

Allow
KG 40
KG 20
KG 30

Or, if working on a piece system 1PC, 2PC or 3PC.

Ensure that the correct allowance has been given for your client and ensure that your client understands what is meant when you brief him. Inexperienced passengers are often shocked by the cost of carrying excess baggage.

- 4) The airline's name or two letter IATA code should be inserted in the column marked "Carrier".

Example:

UL (Air Lanka), TG (Thai Airways), QF (Qantas) and it will be followed by the flight number and class of service to be provided in the column marked 'Flight/Class'.

Flight	CLASS
101	Y

Many clients have airlines they particularly like, or dislike. Ensure that they have got reservations with the right one.

- 5) Check the dates of the flights which are written using the following format:

Note that there are always 02 digits in a date, and three letters in the month abbreviation.

DATE
29 AUG
05 OCT

- 6) Check the time of departure(s) of flight(s) which are written using the 24-hour system of expressing time. Be very careful where flights depart in the night. If a flight leaves at 1155 on 27

March, it is at lunch time. 2235 on 27 March is late at night. 0055 on 27 March is only an hour later and check-in procedures will be on 27 March.

Note that times are always shown as local times and arrival times do not appear on the ticket so you must also supply them to the client on an itinerary. Air tickets show clients where they must change planes but they do not show if a plane stops for refuelling or to pick up other passengers. Such short stops are a bonus on daytime flights as passengers can disembark and enjoy duty free shopping or just a stretch of their legs. However, on night flights such stops are a nuisance as the sleeping passengers must be woken and of course they add to the journey time. Information like this should be on your itinerary planner.

Example:

<b>TIME</b>
0730
1245
2315
<b>VOID</b>

7) Check the 'Status' column giving details of the reservation. This will have been written using the following codes:

**OK** : The seat reservation has been confirmed by the airline.

**RQ** : The seat reservation has been requested by has not been confirmed by the airline.

**NS** : This code is used to indicate that the passenger (normally an infant) is not entitled to a seat on board the aircraft.

**SA** : This code is used to indicate that a certain rule which applied to a particular fare does not allow the seat to be reserved in advance.

If the passenger has RQ or SA on the ticket there is no guarantee that he or she is going to be able to fly on that flight. You must ensure that the passenger understands this.

8) In the column titled 'Additional endorsements and restrictions' details of any restrictions, endorsements or reimbursements are written fully. Certain cheaper fares will have rules which prevent the traveller from changing the reservations or having a refund if he or she cancels. You must ensure that they understand these restrictions fully. Some passengers prefer to pay more for a fully flexible fare (can be changed) when they understand this.

9) Certain Fares Rules may indicate restrictions on the date of flights to be taken by travellers. The column 'Not Valid Before' should be completed to indicate such dates.

Example:

Coupons not valid before			
1	2	3	4
	14 MAY		
Coupons not valid after			
1	2	3	4
			24 JUNE

The above example indicates that the flights indicated in flight coupon 2 may not be taken before May 14 and that the flight indicated in flight coupon 4 may not be taken after June 24. In other words, the passenger can make some alterations to his reservations but he must stay within these parameters.

10) The 'Fare' column shows the amount paid for the ticket in the currency of the country in which the travel starts.

Example:

Fare
Rs.8,000.00



The above example indicates that the fare is Rs.8,000.00.

If your company is dealing in discounted fares you may find that the fare shown is MORE than the customer has paid. This is common but technically wrong. However, you should never accept a ticket which has a face value of LESS than the customer has paid. The passenger will soon have a complaint.

- 11) If taxes have been collected at the time of payment for the ticket, the 'Tax' column should be completed indicating the currency and the amount collected.

There are several kind of tax including departure tax, security tax, agriculture department tax and others. Each has a code. A complicated route could involve several different taxes appearing on one ticket and the client will question these. It is your job to advise your client about this clearly on the itinerary whether all taxes are paid or some more will be paid by customer at the time of departures or arrivals.

- 12) If discounts apply to a ticket the 'Ticket Designator' column should be completed. This will indicate the reason for the discount.

Example:

IN - an infant paying only a percentage of the adult fare

CH - a child paying only 50% of the adult fare, etc.

Check that these are correct for your passengers.

- 13) In the 'Tour Code' column information detailing the code of any inclusive tour should be indicated. If this column has been completed there should NOT be any price shown in the fares section.

- 14) In the box, 'Date and Place of Issue', the official validator of the company issuing the ticket should have been used.

Once all the boxes that are applicable to the journey have been checked against the file requesting the reservation your final task is to ensure that all the relevant information has been clearly and accurately reflected in the itinerary. You must also ensure that all coupons are clearly legible and contain all the necessary information for the ticket to be accepted by the airlines.

#### f) Travel Vouchers

In all travel agencies, services are ordered from suppliers. These services will be sold on to the travel agent's customers. If each transaction that takes place between an agency and a supplier were to be paid for separately, for each and every service provided, for each and every customer, the amount of paperwork and the amount of cash moving around, would be enormous. To cut down on the amount of paperwork and money transactions between the supplier and the agency, a system has been devised whereby these transactions are reduced.

This system involves the preparation and issuing of vouchers which are, in effect, promises to pay for the services which the supplier promises to provide. Vouchers are only accepted by a supplier if prior arrangements have been made. By using a voucher system the risks of handling cash transactions by staff are reduced and the number of individual transactions between the various suppliers of service are minimised. These vouchers are used for many activities including:

- hotel accommodation and other hotel services,
- excursions and tours,
- transfers,
- tour guide services,
- restaurant services,

- entrance fees to sites of interest,
- theatre tickets, and
- sports events tickets.

As you have already been told that these vouchers are basically promissory notes, i.e., by issuing a voucher, the agent authorises the service supplier to provide the services specified on the voucher and gives a commitment to pay for those services at a later date. Hence, their controlling become crucial and you must take great care of all vouchers and control their use as failure to do so can result in fraud and financial loss for your company.

Vouchers will normally have a number of copies for:

- supplier's copy,
- customer copy,
- client's file copy, and
- accounts copy.

Below is a sample of a completed voucher. In the example chosen, the voucher covers the provision of hotel services. You should remember that vouchers can be issued to the suppliers of other services and not just those provided by hotels.

<b>SAMPLE VOUCHER</b>	
<b>ABC WORLD TRAVEL</b>	
<b>Tel:</b>	
<b>ISSUED TO:</b>	<b>Royal Hotel 123, Park Street Dhaka</b>
	<b>ISSUED BY:</b>
	<b>Voucher Rahul Sales Trainee ABC World Travel</b>
<b>Services to be provided</b>	
<b>Passenger/client name:</b> Mr. Varun	
<b>Number of Pax:</b> 4	
<b>Service requested:</b> Two double rooms with bath	
<b>Room rate:</b> DBLD US\$ 120.00	<b>Tax/service @20% US\$24.00</b>
<b>Basis:</b> Full board	
<b>Number of nights:</b> Three	
<b>From:</b> 24/08/1995	<b>TO:</b> 26/08/1995
<b>Total Voucher Value:</b> US\$ 864.00 Incl.	
<b>Validation:</b>	
<b>Company Validation</b>	
<b>Stamp</b>	<b>Signed:</b>
<b>Please provide bearer with services detailed</b>	

Any additional charges are to be billed directly to the client and collection of such charges is the sole responsibility of supplier since your agency cannot accept liability for charges for services not included on this voucher.

You must train your staff that since vouchers are security documents, it is very important that they must take great care in completing and issuing them. By issuing a voucher you are committing your company to pay for the various services detailed in the voucher. Mistakes in filling vouchers can cost

your company money. Vouchers should, therefore, be accurate and contain all the information necessary. You must always remember to validate all vouchers and have the signature of the person authorised to sign such vouchers on behalf of your company. Any voucher amended by supplier shall be treated as invalid. But rigorous enforcement of this could lead to problems for clients, so only vouchers which have been hand amended (or not amended) WITH A REFERENCE ON THE CLIENT FILE should be accepted for payment.

### Supervising Issues of an International Airline Ticket

Once all the required procedures of international travel are completed next important step is to get a booking of international airline ticket. In the case of an international airline the procedure is slightly different from the domestic ticket. The step by step procedure can be summarised as:

When the client approaches you the following information may be acquired for the preparation of ticket:

- a) Nature of the client,
- b) Type of flight,
- c) Place of departure,
- d) Place of destination,
- e) Date of journey/departure, and
- f) Date of return.

Once basic information is acquired then you shall:

- a) Refer the world-wide edition of OAG and look up to the place of destination from the place of departure,
- b) Write the date, clients, name and residential phone contact on reservation pad,
- c) Write the flight you have selected and date for customer's flight,
- d) Again refer the OAG to select return flight of the client. Look up to the place of destination from place of departure. See the date of return,
- e) Transfer all this information to the itinerary pad,
- f) Contact the concerned airline and book the flights,
- g) If the flights are available circle OK,
- h) Make a note of the airline reservationist's name and date on which the booking is made,
- i) Convey the passenger's name, residential address and telephone contact number and travel agency's phone number to the airline reservationist,
- j) Double the fare for round trip and add the international tax,
- k) Re-verify the fare. Refer to the Air Traffic Worldwide Book-I (Latest Edition, Yellow Pages). Check the fare. Check the fare from place of departure to the place of destination. Note down the fare, and
- l) When you find that the fare given by the airline is correct, you should be ready for ticketing.

However, in case of stopover in some other city for a day en route to the place of destination there will be a different itinerary. In such a case you have to check the mileage in the same way as is given in the tariff listing. Thereafter, refer to the 'Routing ... non-stop sector mileage's section of the tariff to check the non-stop sector mileage. By looking up the mileage under the stop over place, you may get the sector mileage listings for both the segments. Now one can complete the sector mileage and the computed mileage. If the computed mileage is well within the permitted mileage it is not necessary to increase the fare. In case of complicated fare itineraries, verification should be made with the airline rate desk who will give you the rate number. This rate number should be written on the fare construction portion of the ticket.

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## **UNIT 6 MANAGING TOUR OPERATIONS – III**

### **(Managing Distribution)**

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#### **Structure**

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Role of Distribution in Exchange Process
- 6.3 Selling in Tourism Through Distribution Chains
- 6.4 Logistics in Tour Operations
- 6.5 Managing Distribution System in Tour Operations
- 6.6 Let Us Sum Up
- 6.7 Clues to Answers

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#### **6.0 OBJECTIVES**

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After reading this Unit, you shall be able to:

- know about distribution system,
- explain the role of distribution in tourism,
- manage distribution channels more effectively,
- apply logistical solutions, and
- manage channel support and coordination in tourism.

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#### **6.1 INTRODUCTION**

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You are already familiar with the functions and scope of sales and distribution management through your exposure to Units of MTM-6 (Marketing for Managers in Tourism). However, this Unit deals with the inherent interdependence of Distribution and Promotion Management in tour operation business. This Unit also intends to apprise you with the role that distribution plays in making tourism products available to the end users. Promotion plays a complimentary role to the selected distributional channels in tour operations. In the present scenario of cut-throat competition among tour operators' media plays equally important role in publicising these tour packages and making customers aware of new packages introduced by major players of the trade. The same can be said about the websites on the internet.

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#### **6.2 ROLE OF DISTRIBUTION IN EXCHANGE PROCESS**

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Distribution is not just making the goods or services available to the end users but also to make consumers aware of their availability and upgradation from time to time. This necessitates due emphasis on managing the personnel engaged in distributing or channelling the services/products. In return tourists are able to make their tour memorable and purposeful with the help of these channels of distribution. Offering of services in a professional manner has a far-reaching impact on the organisational prosperity and this impact, no doubt can only be created through the skills and professionalism of distributors. For instance, if tourist(s) visit a monument and there is no guide or escort their normal eyes will fail in identifying and feeling the realities related to these historical monuments. With the availability of an efficient guide or escort even language constraints are overcome and the overall impact can be visualised. In tourism your delivery channels have to act as interpreters of your package while promoting it.

Not much time ago tourism industry was posed with the problem of transmission of information about products to interested persons. Today, however, the introduction of computerised reservation systems,

sales desk terminals and touch screen has not only simplified but also speeded up the distribution process. Therefore, your role now is just to simplify and rationalise your distribution process or system. Various factors that may influence your distribution system can be:

- i) **Image of Your Organisation:** It is the most important factor for formulating a sound distribution policy. If the image is positive and fair, your task would be simple, but if you are already facing image problem your task is likely to be quite complicated and complex. It is essential that your products/services are pushed strongly through distribution chains to create the desired image not only for your products/services but also for your company, otherwise survival in the industry would be very difficult.
- ii) **Location of Points of Sale (PoS):** You can very well manage your distribution system if you are able to select sensitive points of sale in order to attract the tourists. These are basically target markets where potential tourists live or work. Therefore, it is important for all tour operators to target these points for creating a favourable image of their products and services.
- iii) **Costs of Distribution:** Cost of distribution is also an important factor in overall policy formulation exercises. It is possible that only after this exercise you decide whether you want to sell your products through travel agents, travel clubs, and other specific organisations. While doing so you shall take into account the commission considerations of intermediaries that you want to involve. While costing for distribution you must also consider staff wages, rents, electricity and water charges, telephone, postage as well as profit margins as per the policy of the company.
- iv) **Users' Perceptions Regarding Products:** The perception of tourists regarding your products/services is also a factor which you should consider while framing the distribution policy. If products are in line with the tastes and preferences of the tourists and are designed well to meet their expectations, your task of promotion and distribution is simplified.
- v) **Effectiveness of Marketing Efforts:** If marketing efforts by your company are sound then you can formulate a sound distribution policy too and thus, success is nearer. This clearly indicates at whether you have accorded due priority to the different marketing tools in relation to changing stages of product life cycle or not. If yes, nothing can stop you from achieving your objectives and if not, you are advised to do so before drafting your distribution policy.

Thus, these factors mentioned above not only govern the intensity of success of your organisation's distribution system but also maintain flow of products on and through right path. You should consider all these factors either to optimise the distribution costs or to rationalise the distribution process.

### **6.3 SELLING IN TOURISM THROUGH DISTRIBUTION CHAINS**

To sell products or services at a profit is the core idea behind any product or service development. What is the use of five star hotels without guests, what is the use of an airline without passengers? So, the very idea of developing any service or product is to find customers for it and this is possible only if the product or service developed is of some use or fulfils some need of customers. Selling in tourism is all about need assessment and coming up with such services which customer would find difficult to refuse. Selling of tourism products or services through distribution channels is also important because it involves selling of perishable and intangible products/services to the customer. It means services/products not sold within a stipulated time period would result in net loss of revenue. For example, if a hotel room or an airline seat remains unoccupied for a night or during a trip, respectively, then they add to gross loss to the organisation.

Every organisation has its own set of targets or desired consumers and chooses accordingly the channel of selling to the desired target consumers. In tourism, as you have already read in MTM-07 that selling is possible through both intermediaries (indirect sales) as well as directly to the consumers (direct sales).

According to Donald W. Howell, while distributing products or services produced by travel agents or tour operators selling primarily revolves around three groups of people:

- i) Principal/Primary supplier;
- ii) Intermediary/Retail agent; and
- iii) Client/Consumer.

It was exemplified by J. Christopher Holloway in the following manner (Table 1):

**Table 1**

Tourism Source	Primary/Principal Suppliers	Intermediary
Tickets	Airlines, Railways	Travel Agents
Tours	Airlines/Railways, Hotel/Resorts, Ground service providers, Meal providers, Guides, Escorts, Tourist attractions, Providers, etc.  Packaged by tour operators	Tour operators and Travel agents
Cruises	Cruise companies and ocean liners	Travel Agents
Passport and Visas	Passport issuing authorities, Embassies and High Commission	Passport and Visa handling agents
Travel Insurance	Insurance companies	Travel agency and Tour operators
Foreign Exchange	Banks, Foreign Exchange Handling Agency	Travel agents, Hotels
Car Rentals	Tourist Transporters, Car rental agencies	Travel agents, Tour operators and Hotels
Ground Services	Guides, Escorts, Local agents and others	Travel agents, Tour operators, and Hotels

For the management of distribution systems in tour operations the distribution model given by J. Christopher Holloway is also found very useful.

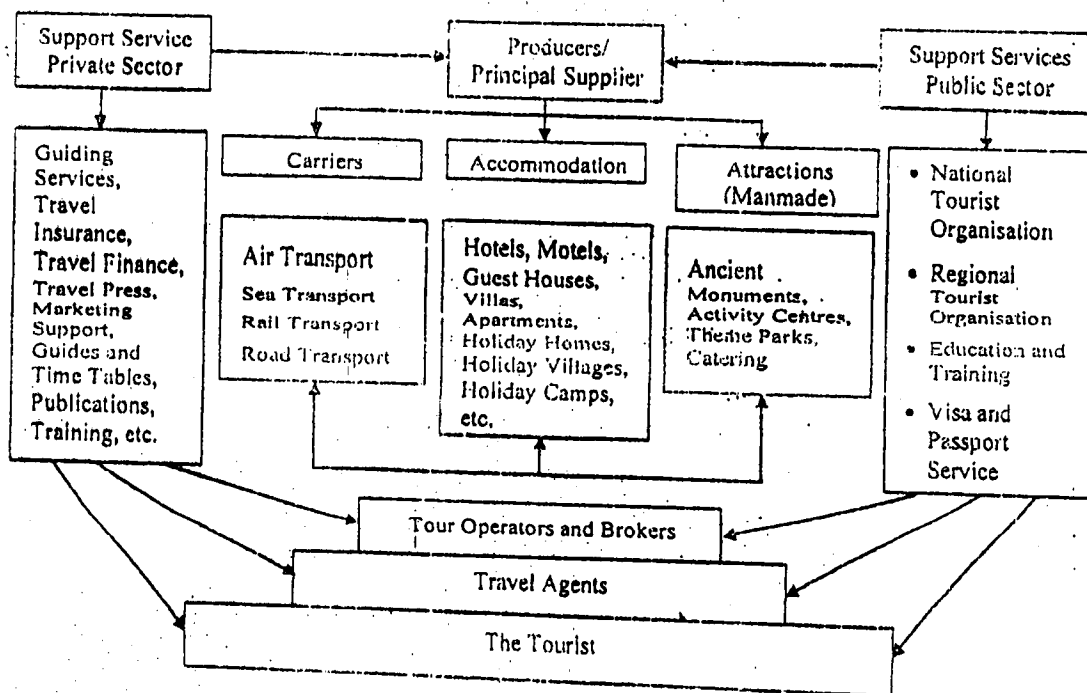


Figure 1

## 6.4 LOGISTICS IN TOUR OPERATIONS

A tour operator is one who buys the individual elements in the travel products on his own account and combines them in such a way that he or she sells a package to his/her clients. In other words, a tour operator bears the prime responsibility of delivering the service. This task he/she performs by engaging retail travel agents, through their own offices and even by direct mails, via booking forms enclosed within brochures or by responding to the direct enquiries from consumers. Tour operators can offer a number of tour programmes, popular and tailor-made. They act like wholesaler and that is why some of them have their own buses or hotels and cars rental companies. For instance, you might have seen buses of TCI, SITA, SOTC, etc. They also buy a range of tourist products in bulk, such as, airline seats, hotel rooms, etc. if they don't own them and when consumers have specific requests. They arrange them due to effective inter-sectoral linkages. Because of their logistics some experts call them producers of tourism products but most of them prefer to be called tour operators.

In fact, inbound and outbound tour operators are classified on the basis of their logistics of operations. The distribution systems and their management also depend on the logistics of the tour operations.

## 6.5 MANAGING DISTRIBUTION SYSTEM IN TOURISM OPERATIONS

A basic understanding of the distribution structure in tour operations outlines primarily four types of distribution systems, viz.,

- a) **One Stage Distribution System:** In this system of distribution primary supplier reach directly through their own outlets to consumers. In this context you will find "Do it yourself" model of Douglas Foster is very interesting in which hotels feed hotel directories and travel timetables are fed by airlines.

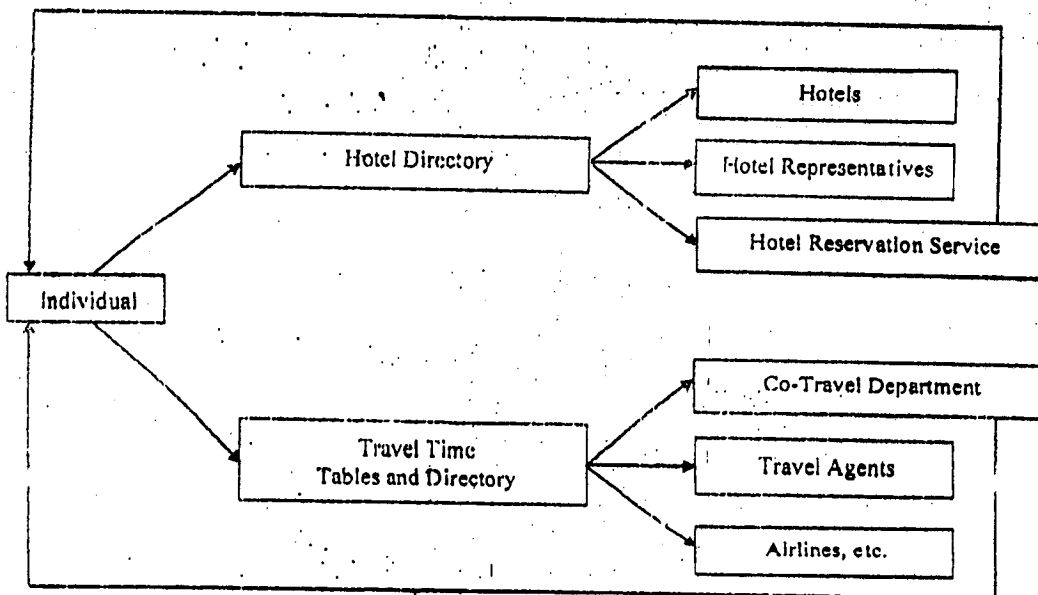


Figure II

- b) **Two Stage Distribution System:** This involves a single middleman between supplier and traveller, i.e., a travel agent with advantage of buying other products for and getting a single bill for all services.

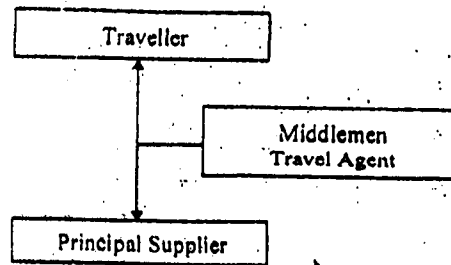


Figure III

- c) **Three Stage Distribution Systems:** It involves two middlemen, i.e., a retailer and a wholesaler or a tour operator.

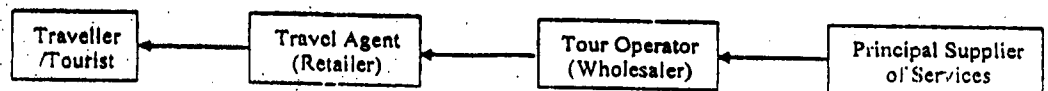
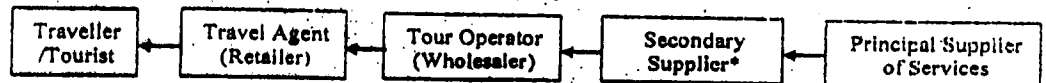


Figure IV

- d) **Four Stage Distribution System:** In this distribution process you have additional middlemen known as Speciality Chancellor instrumental in developing tour packages, e.g.,



\* or speciality chancellors, e.g., escorts, guides, etc.

Figure V

- e) In the present age of automation, technological advancements have particularly revolutionised the selling of tourism products/services. Internet is the word of the day. Today tourists have the access to suppliers through network. Therefore, they are able to get a better deal for the products required by them. Similarly, on the other hand, sellers are also able to display their product and price range for customers to choose from.

Thus, you have five existing options of system to choose from for distribution of your products/services. It is, therefore, advisable that you shall first carefully analyse the market forces and conditions, relate them to your organisational goals and then adopt any one of these available distribution systems.



## 6.6 LET US SUM UP

In present scenario of cut throat competition if logistical approach is not adopted it would be very difficult for you to manage your tour operations business. If your selection of distribution system is not appropriate it would be difficult for you to either generate outbound business or to handle inbound groups. You must look for a kind of distribution channel which suits your target market, and is also cost effective. National and international linkages have to be established for being a part of the distribution channels. International tourism fairs provide a good opportunity for establishing linkages.

## 6.8 CLUES TO ANSWERS

### Check Your Progress

- 1) Refer Sec. 6.5.
- 2) Refer Sec. 6.3.

### Activities

- 1) Visit a travel agency in your local business centre. Prepare a schedule of activities being performed by supervisor to effectively manage tour.
- 2) Observe and evaluate the resident's concerns considered while planning tourism development activities in your region.
- 3) Visit the office of a tour operator in your area. Analyse the customer care programmes undertaken by him/her. Interact with a few of the walk-in clients, focussing on the points referred to in Unit 3.

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## UNIT 7 MANAGING A TOUR: ESCORT

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### Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Managing Escort Services
- 7.3 Considerations for An Escort
- 7.4 The Preparations
- 7.5 Managing Special Situations
- 7.6 Let Us Sum Up
- 7.7 Clues to Answers

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### 7.0 OBJECTIVES

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After reading this Unit, you will be able to:

- appreciate the role of manager in a tour operations company as regards providing escort services,
- prepare yourself to escort a tour in case you intend to do it yourself,
- know about the planning and preparation involved in providing and managing escort services for a tour,
- manage escort service effectively in your company, and
- prepare yourself in order to handle difficult situations and problems in escort services.

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### 7.1 INTRODUCTION

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As a manager, in a tour operator company one has to provide escort services whenever required by the tourists, either individually or by groups. In fact, escort services are inbuilt in your tour package or if not so you offer them separately also.

In this Unit, an attempt has been made to familiarise you about the knowledge and skills that you require for managing escort and escort services. The Unit has been written in a way that even if you want to develop your own skills as an escort you will be able to learn the various aspects related to it.

The Unit starts with giving you a background of the escort's role and significance in tour operations. It further discusses the qualifications, skills, etc. that should be considered while selecting escorts and the type of on the job training required by escorts. Further, it discusses the role of planning in escort services, the preparation needed for providing quality escort services and how to handle special situations.

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### 7.2 MANAGING ESCORT SERVICES

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In tour operations, escort has a very specialised meaning. He/she is the one who is the guide, philosopher and manager of the tourist as for practically everything the tourist depends on the escort. The role of an escort begins as soon as a tourist arrives at his/her destination. It continues all through his/her stay and ends only with the departure. Unlike a guide, an escort may not be free from his/her responsibilities at any hour of the day. This is because in escorted tours the job also involves looking after facilitation aspects like facilitation at the airports, hotels and city tours, etc. In fact, an escort is responsible for everything that the tourist group requires at the destination. Hence, the scope of an escort's terrain, skills and expertise are also very specific and may vary according to the purpose of the visit, though at the same time having some common traits while operating a tour. Depending upon the nature of the tour, an escort is supposed to perform the role of an accompanying manager and at times

may also has to act as a subject expert. You are already aware of the duties and responsibilities of an escort (See TS-1 and TS-2). Besides facilitation at the airport the tourist may be escorted to a:

- specific place of his/her interest,
- rural areas,
- specific geographical region,
- historical sites,
- shopping centres,
- metropolitan area, and
- business centres, etc.

As an escort when you have to manage a tour knowledge of tourist's expectation would always be an added advantage in charting out your course of action. In fact, to manage your tour effectively you must do an exercise on profiling of the tourists even before their arrival. This profiling is done primarily for creating and developing an awareness and understanding of the tourist habits and attitudes. This exercise in advance helps you in customer care and also to provide quality services. Besides, tourists demand from their escorts' accuracy and authenticity with regard to the knowledge of facts, astuteness, to deal with tricky situation and sympathy with regard to their own problems. The escort should, therefore, be particularly thorough with facts, resourceful and full of understanding for the demands and problems of the tourists. On the other hand, as a manager in the company you have to ensure that the escorts working with you go for this exercise before the conducting the tour.

You have to be extremely cautious while recruiting escorts for your company. Excellent communication skills, pleasing personality, high level of patience, honesty, etc. are some of the things which you lay stress upon along with the knowledge of tour operations, certain rules and regulations and an overview of tourism operations and linkages. Unfortunately, in many tourism development areas, not much attention is paid on the training and retraining of escorts whereas on the other hand, we do have some agencies who train tourism guides for tourism industry. In certain cases, you need escorts well-versed in the language of the country from where the tourists come and if your company is catering to specialised tourist groups you will have to recruit escorts with foreign language skills. Though English may be generally the language of communication, the tourists feel very comfortable to have an escort who can converse in their own language. In fact, you must follow the practices mentioned in MTM-2 and MTM-3 as regards task analysis, job description, qualifications and skills for recruiting escorts. In some cases the companies hire the services of freelance escorts. At times you may require a very special escort to handle a special interest group. A highly professional approach is required in this regard as your reputation depends on the escorts services.

Once you have recruited escorts, you have to familiarise them with your company's objectives, rules and regulations, besides a full knowledge of the services that you have promised to the tourist in your package. An escort must also know even things like how to file an FIR at a police station or whom to contact in case of emergencies. You must also remember that the escort provides you crucial feedback about the tourist's experiences and the quality of tour operations and in fact there should be general instructions to him for filing tour reports after every escorted trip. What you require in these reports should also be clearly specified and the best thing is to have proformas made in this regard.

Changes keep happening over as regards rule-regulations, etc. and hence, on the job training, upgradation of knowledge and information are other aspects that require a manager's attention, vis-à-vis, training of quality escorts.

You must remember that an escort is the frontline manager of your company who is in direct contact with the tourist for most of the time and hence, any deficiency in escort services will lead to a bad image of your company. For providing the best, the escort should be a satisfied person which means that the company takes care of the employee in the sense that he is adequately paid and is offered incentives by the company. The tendency to hire cheap escorts with insufficient skills and knowledge should not be encouraged. Even when you hire the services of an escort you must look for trained professionals in the area of operations. There are occasions when under lure of money by others, some escorts may try to divert your business by offering them the packages of others for repeat visits etc. You should be very clear while handling such situations and must discontinue the services of such escorts.

### 7.3 CONSIDERATIONS FOR AN ESCORT

When it comes to escort a tour and manage it, on your part it calls for careful preparation and planning. Hence, the escort has to be equipped for special situations also that may arise from unforeseen circumstances. Though each tour is unique on its own the tour escort should be trained and involved in the planning aspect of the tour. For this knowledge of the following is important:

- **Components of the entire tour package, i.e.,** the destination offered, day itineraries, services included in the package, time schedules, type of accommodations, mode of transports, local guide services, etc.
- **Rate of success with similar tours in the past:** This would enable a tour escort to analyse which areas created success or where shortcomings have resulted in failure of a particular tour. How shortcomings should be avoided, should be chalked out. Here the reports filed of earlier tour escorts help a lot in planning for new tour operations. It is only after analysing this rate of success and failure as well as reason for the same you can and shall plan your operations.
- **Prime motivation for existence of every business activity is to generate profit** for the organisation and in this regard tour operations is no exception. However, one has to be extremely cautious while broadening the scope of the tour in relation to what has been offered in the initial package. The best pricing practice is to include all services and items that are to be charged right at the beginning when the package is sold. Additional services, if any, offered during the tour require extreme caution as regards the tourist getting the feeling that she/he is being fleeced or cheated.
- **Your escort must have proper briefing, not only of the normal conduct of the tour but also about emergencies that may crop in.** Some of the common emergency situations are: delays in departures, missing flights, vehicle breakdowns, etc. Alternate plans should be there before hand in order to meet such situations and remember that in many situations it is the escort who will have to take on the spot decisions. Still one should make use of modern technologies and equip your escort with such equipments, like, mobile phones etc. to remain in direct touch with the company. Even if the operations are running smooth it is advisable that the company may contact the escort, occasionally. This besides providing confidence to the escort can also be a good customer care exercise as the tourist will feel happy and satisfied once they know that the company is enquiring about their welfare.
- **Ensure that prior information is there for welcoming the tourists at every point of their journey.** This will not only help in smooth operations but welcome at every point would give the satisfaction to the tourists that they are being cared for.

Your escort must carry a mobile phone or pager wherein he/she may be contacted in case of any delay or any other emergency at the airport or tourist site.

The itinerary of the group/individual tourist is already fixed, however, a tour escort must live the tour day by day. While doing so he/she must take special care of the following areas:

- 1) **Scheduling:** Scheduling is a procedure by which we try to assure and combine factors with uncertain variables. The focus of scheduling is to look for right place, at right time for the right people and at a right price. As an escort or as a manager, managing a team of escorts, you must apprehend and appreciate the significance of scheduling in your overall planning process. It is through scheduling that you plan target dates and times for successful completion of your assignments. Be it visiting a monument on a particular day which may be a special day, for instance, visiting the Taj on full moon day or visiting Khajuraho temples during Khajuraho festival, you have to schedule it in such a manner that the tour results in a memorable experience for the group.
- 2) **Events:** You should plan attending events on a tour to suit the taste of most of the tourists in the group. However, in doing so the cost factor should be taken into account and also that some may not have an inclination for it. But as an escort managing the show, you must convince them about the relative importance of each event in its cultural, social and economic perspective, leaving it to their judgement whether to attend it or not. Do not compel the tourists.

- 3) **Variables:** An escort should take into consideration the weather, unforeseen, occurrences, transport upsets and some other variables which can play vital role in making any tour a pleasant and memorable experience. If such variables are not considered, losses can be irreparable.

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## 7.4 THE PREPARATIONS

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Besides taking into account certain considerations for escorting purposes one has to prepare for operating the schedules. Certain guidelines may prove useful in this regard.

- 1) Knowledge of the group profile in advance, like the tastes, interests, etc. of the tourists help in this regards. For example, you may have looked at the date of birth of a tourist from the profile and if this date falls during the tour schedule you can surprise the tourist by not only wishing a happy birthday but also offering a gift and converting the occasion into some sort of celebration.
- 2) Normally the escort has the knowledge about the areas to be visited, but a good escort with high professional skills will always update oneself once again about what's going on at the destination. This helps in preparing oneself in advance for making commentaries to the tourists
- 3) A good escort will prepare the tourists in advance for all that has to be encountered during the tour. Yet he/ she may keep something to be thrown as special surprises to the tourists.
- 4) The tour escort must have in his basket jokes for the occasions which can also be used to divert attention if something has gone wrong, e.g., time spent on mending a flat tyre has to be converted into time for amusement rather than leaving it as a boring or irritating wait.

All successful tours tell the same story, i.e., good preparation. Therefore, you are advised to pay attention to the following details at the stage of preparation:

- You must prepare a checklist of all items and details pertaining to the tour. As a result, you will not forget even the minutest item from the list. This will prove to be a successful tool at preparation stage. For example, if you are escorting a tour to a wild life sanctuary or for a trekking, your requirements would be different. If you have prepared your checklist you will not forget to carry each and every item required.
- Details about itinerary, i.e., different routes and places to be covered must be carefully memorised and all events must be planned in such a manner so that they can fit in your itinerary.
- Commentary is yet another factor crucial while escorting the tour. This commentary is advisable to be crisp, informative and delightful, punctuated with humour is the sure key to your success as an escort. At many a times due to wonderful commentaries, escorts are complemented and this promotes your organisation.
- Nevertheless you must plan travel tips which are vital for your group. If not planned carefully these would become pits for you to fall in. In other words, success or failure of your tour largely depends upon travel tips that you give to your group members during the tour period.
- The escort also ensures hiring of good guides as per the requirements of the tourist groups.

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## 7.5 MANAGING SPECIAL SITUATIONS

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The tour escort should invariably have the energy and courage to cope with special situations and accidents. Some of the most frequently encountered situations are:

- **Loss of Money and Passports** is the most common complaint of groups. It is, therefore, advisable for you as an escort to request all group members to deposit their passports with you during the duration of tour. You must also advise them not to carry much of cash with them and to transact most of their business/exchange activities through travellers' cheques or credit cards.

- **Sickness** is yet another situation. When this situation arises you should first see if any of the group member is of some help. In the meantime try and contact nearest medical centre for first aid treatment.
- **Missing members** is another typical situation of a tour group. Generally such situations occur when visiting a monument, a crowded place or sometimes when a tourist ventures to move on ones own. Such situations can be avoided by requesting the tourists to strictly adhere to the briefings given for the occasion and at the same time you must mention the timings of departure from that particular place so that in case someone has missed the group the person can be back at that time. In certain cases you have to be persuasive but without loosing your cool.
- Though political events, strikes, road blocks, etc. had been there earlier as bottlenecks in smooth tour operations, **terrorism has added an all together new dimension in this regard.** Hence, your escorts need a different kind of training altogether of handling such situations without being panicky and losing confidence.
- In general, the escort should always be prepared to meet uncalled for situations, unexpected challenges/situations and for this experience in the field counts a lot.
- The escort must ensure filling of feedback forms from the tour group and filling his/her own report to the company.

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## 7.6 LET US SUM UP

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In tour operations the escorts play a very crucial role in completing the package whether it is designed for Foreign Independent Tourist (FIT) or Group Inclusive Tour (GIT). The functions and responsibilities of escorts are so varied and complex that they call for a thorough training by the manager/supervisor of the agency. The range of functions performed by them vary from an educator to an entertainer for the tourist. Fulfilling these two functions and for providing satisfactory experience to the tourists they need to acquire knowledge not only about the places of their operations but also about other issues indirectly related to the main area of operations. In the overall tour package tour escorts get ample opportunities to create their own identity as a lively and delightful person in the perception of tourist. A good escort is essential for the market reputation of the company.

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## 7.7 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer Sec. 7.2.
- 2) Refer Sec. 7.3.

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## UNIT 8. MANAGING TRAVEL AGENCY OPERATIONS – I

### (Managing Internal Operations, Technology)

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#### Structure

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Travel Agency Operations
- 8.3 Departmentalisation of an Agency
- 8.4 Managerial Responsibilities
- 8.5 Use of Technology
- 8.6 Sources of Revenue
- 8.7 Operational Departmentalisation of an Agency (In-House)
- 8.8 Let Us Sum Up
- 8.9 Clues to Answers

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### 8.0 OBJECTIVES

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After going through this Unit you will be able to explain the:

- need for departmentalisation in a travel agency,
- various operations handled by a manager for running a travel agency,
- networking of travel agency operations,
- sources of revenue for a travel agency, and
- functional significance of domestic and international departments.

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### 8.1 INTRODUCTION

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You have already learnt about various travel agency operations in TS-1, TS-3 and TS-6. By now, you must have gathered a fair knowledge about travel agency functioning.

In this course, we have three Units dealing with managerial practices involved in running successfully the travel agency operations. This Unit aims to familiarise you with issues, such as, technicalities involved in operation handling, use of various technologies and employee handling.

In this Unit, we also take a quick recap of what you have already studied in relation to travel agency operations, to refresh your learning. This will also create a base for you to comprehend the rest of the Units on travel agency operations. This Unit's point of focus will be on how to run a travel agency efficiently as an effective Manager. It, therefore, will enable you to be a better and effective travel professional in future. In fact various management aspects which you studied in MTM-1 to MTM-4 are to be applied in Travel Agency Management.

You are aware that today the travel and tourism industry is one of the biggest and most dynamic industries in the world. If you are planning to be a part of this dynamic industry then you are required to know more about the travel agency operations than just what happens within the walls of the office. Today, when the world hasn't become any bigger, the number of people who travel around has certainly gone up several hundred thousand times. This increase in the number of people leaving their place of stay and visiting another place has resulted in the expansion of travel agencies and their linkages with the principal suppliers.

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## 8.2 TRAVEL AGENCY OPERATIONS

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As you know that the travel agency is a link between the customers, i.e., traveller or tourist and the principle suppliers, i.e., primary service providers such as tour wholesalers, hotels, airlines, etc. It is the first stop for anyone considering travel, especially to a distant place, i.e., tourist destination, in order to make travel arrangements. The primary job of a travel agency is to provide easy and trouble free travel to the traveller. It is also important for a travel agency to provide enough information to the tourist so that the tourist is not cheated during his or her travel and has a hassle free trip.

It was with the arrival of scheduled airlines that the face of travel agency business began to change rapidly. Following World War-II, when the travel urge broke loose, a large number of people set themselves up in business as travel agents. Initially, teachers, clerks and housewives worked out of their homes as part time travel agents, though such an arrangement would be almost impossible today. Until the nineteenth century, discretionary travel was limited to a very small percentage of the people. This changed dramatically as the industrial revolution gave millions of people in North America and Europe some discretionary income. More importantly, the railroad made travel comparatively cheap and convenient. In response to travel demand, intermediaries, such as, Thomas Cook, Cox and Kings, etc., helped to promote and make travel arrangements easier for mass tourists.

Even today the idea of opening a travel agency has natural appeal to many people, who probably think that the business requires only limited capital and a minimum of travel information.

Though everyone may want to open his/her travel agency with the above stated objectives the important consideration is whether one possess relevant or required experience and qualifications or not. Experience reveals that being a travel agent is more complicated and expensive than it may seem to be.

In this business the services primarily provided to the tourist or traveller include transport (road, rail, air and/or water), accommodation, passport and visa procuring facilities, foreign exchange and also guidance and information regarding the place of travel. Many travel agencies also sell the packages offered by inbound tour operators.

It is essential for all the personnel working or aspiring to work in a travel agency to be well-versed with the phonetic alphabets as well as with various terms and abbreviations used in the travel business. These universally applied alphabets, etc. are the mode of communication for passing on any booking or reservation in a faster and safer way. A seemingly small mistake like replacing the alphabet 'i' with the alphabet 'K' in an international ticket can cause a lot of problems and in extreme cases, the passenger could very well be stopped from travelling on the ticket.

As an aspirant manager of a travel agency you should also have a fair knowledge of various intricacies involved in ticketing, along with the actual ticketing process and costing, etc. To issue or supervise ticketing process you are required to have good knowledge of time differences among three time zones as well as world geography.

Many travel agencies also assist in acquiring the 'visa' and also getting a passport made. The agencies which do not directly deal with the above usually provide information or consultancy for the same and refer the enquiry to specialised travel agencies. This type of specialised agencies mostly exist in metros, such as, Delhi, Mumbai, Bangalore and Chennai, etc. where regional passport offices and consulates of different countries are located.

A person well versed and acquainted with the travel agency products can manage a travel agency better than a person with no or little background in tourism industry. Thus, to be an able and efficient manager you should be properly informed. Since the information technology is changing very rapidly the face of travel industry, you must keep track of the changing times and only this will and can help you to make your business better.

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## 8.3 DEPARTMENTALISATION OF AN AGENCY

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As a manager of an agency you have to manage your employees well so as to ensure coordination among all principal components of organisation, such as, men, material, information and money. To



achieve this objective you can choose from two optional organisational structures, i.e., formal or informal structure of organisation. In formal structures relationship or interaction is structured and well knit whereas in informal no such structured accountability exists. If you look at the functioning of most of the agencies, either big or small in their size, they have a defined structure. Today many agencies, to combat present competitive scenario, have restructured their organisational functioning. For instance, SITA India or SOTC, as a result of their merger with KUONI, a Switzerland based tour operation group, have restructured their organisational chart in order to redefine accountability.

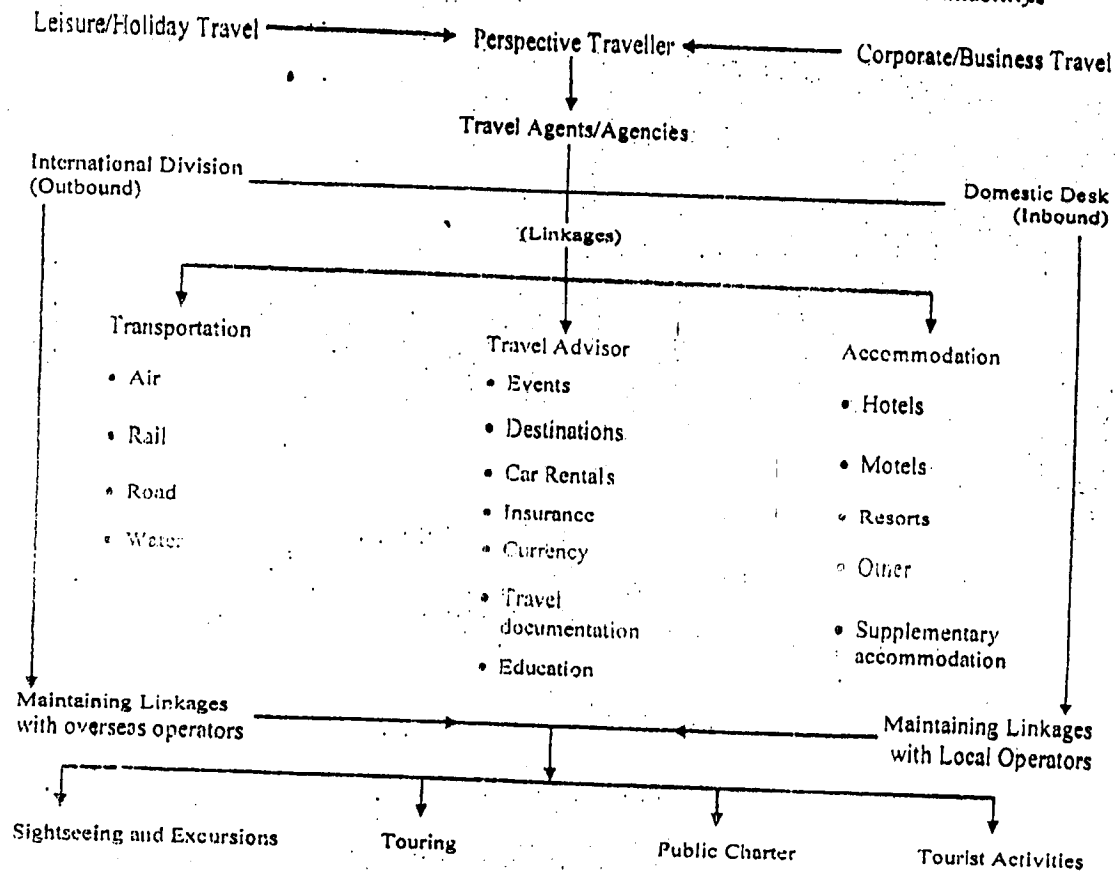


Figure 1: Ideal Departmentalisation Model of a Travel Agency

In your earlier MTM courses, you have read about the various qualities of a professional manager along with the organisational structures and departments in an organisation. In fact departmentalisation depends on the size and volume of operations in your agency. Never hesitate in opening a new department but at the same time do not rush for it. Look at the feasibility and not just the necessity. Similarly, departments can be merged or closed as per the requirements.

As a manager operations of a travel agency you are required to be more energetic, update with the corporate happening as well as aware of functioning of different segments of tourism industry since agency operations involve closer linkages among these components. If you look closely at Figure 1 it would have been clearer to you that besides various departments, how important are these linkages for improvement in your efficiency as a manager.

## 8.4. MANAGERIAL RESPONSIBILITIES

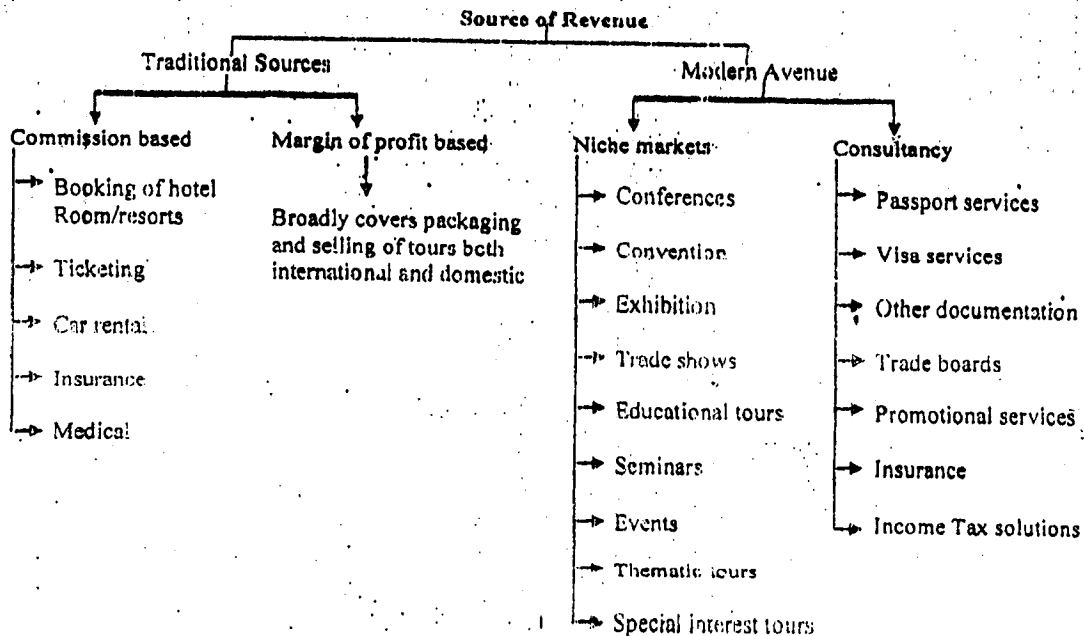
You already have been told in previous Section that the successful travel agent's range of knowledge needs to be very vast and constantly growing. A job description in this regard would include all of the following elements:

- 1) His/her prime responsibility is to negotiate the terms and conditions for commission with principal suppliers. These commissions constitute major source of revenue for any travel agency.
- 2) Recruitment of trained manpower from time to time is yet another important responsibility of a manager in travel agency operations. Right kind of human resources are considered as most valuable assets for any organisation.
- 3) Once the recruitment is over, the orientation/induction programmes shall be arranged by the manager. For existing employees training and development programmes must be arranged in areas which need regular upgradation. For example, technological advancements have forced us to train our employees to work on new technologies or day to day changes in visa regulation, airline/rail schedules, airlines banking settlement plans, etc. require constant upgradation of knowledge. Undoubtedly, training programmes in such areas would not only improve the efficiency of the employees but would also add to the brand name of the company in relation to efficiency and customer care.
- 4) It is also the responsibility of manager to departmentalise the agency for effective functioning and accordingly deployment of required manpower can be done. It is for you to assess that how many people will be required in international section and how many for domestic section. In other words, it is for you to decide that how many people shall form a part of operations, marketing or any other department for that matter.
- 5) Scheduling of manpower and machines to be made available for the agency operations will also be your responsibility, i.e., how many vehicles you will require for pick ups and transfers or for your staff transportation, how many personal computers to be installed and which one shall be connected with WAN (Wide Area Networking) or LAN (Local Area Networking) to facilitate the transfer of data without loss of time.
- 6) As a manager you need to gather and assess feedback from your suppliers and consumers, which would also help you in designing your products. For example, if your feedback reveals that your customers have more liking for activity packed packages, you shall naturally prepare such packages. Your job doesn't end here. You must also try to find out what was the level of satisfaction of your customers after consuming your product/services. If some gap is suggested, the consumer must be removed immediately.
- 7) Decision on selection of promotional strategies are another important function to be performed by you. Here you need to address issues like what is the mission of your agency with respect to the image building? What is your target market? How much will be your promotion budget? What would be the most effective means of promotion for your product, most suitable and effective for your target market segment? Above all, how much time you have to build the desired image. For example, many a times situation arises like riots hitting an area, military coup, etc. wherein you have to decide fast on such decision otherwise losses can be irreparable.
- 8) As a manager you shall always believe in sharing information and knowledge with your employees, about competitors, their strengths, weaknesses, corporate business techniques. It is only after this that you can expect them to work more efficiently. You must also subscribe them with various sources of information like trade newsletters, documentary films/CDs, brochures and news bulletins of principal suppliers, current affairs magazines, membership of trade associations, familiarisation trips as well as travel advisories.
- 9) You must train your employees to maintain proper storing and updating mechanism in the organisation. In a travel agency you make most of the bookings on phone and when your customer is on phone line you have very less time to refer to his/her history in your files.
- 10) For effective and efficient operations of a travel agency you need adequate infrastructure. You must ensure that you have provided your staff with equipments like telephones, fax, electronic mails, photocopier and computers in right number and at right time so that they can carry out their functions efficiently.

Product knowledge can be acquired through information which the travel agency collects from various sources. This information should be stored properly and must be constantly updated to meet

## 8.6 SOURCES OF REVENUE

Any entrepreneur would expect his/her manager to generate as much as revenue possible for the company and travel trade is not an exception to this golden principle of setting up any business enterprises. Thus, it becomes imperative for you to understand various traditional and modern avenues for revenue generation in order to satisfy the very basic reason for your existence in the trade. The sources of revenue can be classified in the following manner:



From the above given illustrations it becomes clear that the traditional sources and commission based services in the area of accommodation, airline ticketing, rail ticketing, car rentals, insurance services or even overseas mediclaim covers can generate only the commissions fixed as per the trade norms. For example, if on a hotel booking you may get as much as 20%, on an airline seat you can only manage to get 9% to 10%. However, on car rental rate of commission can be as high as 30 to 35%. On domestic ticket commission rates vary from 4.5% to 5% in comparison to commission on rail ticket booking of just 0.5% to 1%.

Traditionally and even today, travel agents largely depend upon these commission earned from the sale of these services. Therefore, as a manager you must make it a point to generate as much as sale possible for these services so that even when revenue from other services start declining during off-season, revenue from commission keep coming in your chest. Here it is important to underline one fact that rate of commission offered by principal would vary according to volume of business generated by you. For instance, if you are giving booking of 500 rooms to a hotel in one season it is obvious that this particular hotel will offer you higher rate of commission in comparison to a hotel who is given less bookings by you in a season. Same principle applies to other services also which are being sold by you in return of commission. Many a times rate of commissions also depends upon other factors and not merely upon volume, e.g., your negotiations with the principal suppliers, your physical location, your financial credibility, your previous performance record and so on. All these factors centres around your performance as manager.

On the other hand, margin of profit-based services provide you complete freedom to package and sell services both as specific and tailor-made up as profit margin. More and more travel agents are moving in to the area of designing and packaging services since it renders better opportunities for revenue generation. Here we can take up an example of a resort located at a remote place, offering rooms at 40% of the rack price to you. You in return package it and promote it through your brochures at rack rate offering 20% discount to your sub-agent or partners of Global Distribution Networks (GDN). In

the end if we see selling such products prove to be more profitable than commission based products/services. Today you can negotiate with airlines or hotels for bulk booking as consolidators and retail these services with your mark up to meet your administrative expenses incurred as well as to earn reasonable profit margin.

Besides, the traditional sources of revenue, i.e., commission based and profit margin based as discussed above, agencies have explored number of other areas which can substantiate their revenue generation during lean period. These avenues may also be termed as niche areas like meetings, incentive travels, conferences, exhibitions and expositions (MICE); educational tours, event managers, thematic tours as well as special interest tours. In each of the abovementioned category your job would be to identify market segment with such special requirements, assess their specific requirements and supply the same with expected level of satisfaction. In other words, if you succeeded in planning, organising and managing these niche areas efficiently, they would prove to be rich in revenue generation as compared to other components of travel trade operation. MICE is one niche area which is catching the attention of all travel agencies because it has proved its potential as a strong source of revenue generation all over the world. How can you successfully handle the segment is discussed at length in MTM-15. However, you must remember on thing that when you are handling any event belonging to MICE you are expected to render a basket of services, i.e., ticketing, hotel, transport, meeting planning, sightseeing, secretarial services and other business related services to your client as desired by them from time to time.

As a manager, therefore, your role would not only be to negotiate the terms and conditions for each service required by your client but also to deploy well trained people to deliver the services with an expected degree of satisfaction. Proper attention devoted to this fact can bring repeat and referral business from a lot of corporate clients. You must, therefore, attach greater importance to the recruitment of best people available in the job market.

In the post jet age, when hundreds of millions of people have started crossing international boundaries, this has created the vacuum for travel agencies to play the role of travel consultants too. In other words, more and more people are approaching travel agents for passports, visa endorsements or for other documentation facilitation services which otherwise prove to be quite time consuming for them. Consultancy charges for such service vary from case to case and from agency to agency. But the established fact is that the revenue coming from these services also contributes significantly to total earnings of an agency. Another upcoming trend in travel trade is to become a representative board of a particular tourist destination or for a set of hot tourist destinations. In other words, you assume the responsibility of marketing and selling these destinations in your country. The understanding aspect of this source is that if negotiated well, you become the sole distributor of services in that destination. As a result of these practices, destinations like Sri Lanka, Australia, Singapore, Seychelles and Switzerland have gained grounds in India and as in consequent outbound tourism from India to these countries has gone up drastically. For example, Thailand is marketed and packaged so well in India by trade board representatives that our outbound tourism has gone up to a figure of 2,00,000 tourists a year against only 20,000 tourists coming to India from Thailand. Fortunately, Indian tourism season is very well defined as a result revenue flows in evenly if well managed by you.

In short, we can say that ample opportunities exist in travel trade for revenue generation. You need to identify and harness these opportunities. If you are able to identify any new area, you would be able to reap higher revenue in the initial stages. Therefore, you are advised to look out for new avenues, either at your own or in collaborative manner with destinations or their principal suppliers so as to achieve not only maximum revenue yield but also to gain a brand image of an established agency.

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## 8.7 OPERATIONAL DEPARTMENTALISATION OF AN AGENCY (IN-HOUSE)

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As you have studied in your previous units that for smooth functioning of the agency, departments have been created for domestic and international travellers. Both the sections are placed under the charge of efficient managers.

### 8.7.1 Domestic Departments

Besides ticketing, travel agency also provides hotel and transport booking service to their diversified clientele. Against the receipt of payments from clients necessary vouchers are issued to them. Handling of vouchers is discussed at length in TS-1.

These service agents are paid commissions varying from 9% to 20% depending upon type and volume of business. These commissions form the major portion of agents' revenue generation. These sources are discussed in details in previous section of this Unit.

### 8.7.2 International Department

You are familiar that International department deals with preparation and promotion of tour packages both inbound and outbound. Most of the tour operators prefer to use services of travel agencies to reach the desired target market segment. Thus, it becomes imperative for you to establish coordination with travel agents. In other words, you are not only required to keep track of various promotional activities undertaken by tour operators but also you need to judge the selling aptitude and potential of the employees of the travel agency because your commission largely depends upon the volume of business generated by your agents. You are also advised to maintain close links with tour operators to know about various promotional schemes and incentives being offered by them or by their principal suppliers. For example, selling a package to Australia can get your clients free two days accommodation at Malaysia or Singapore or Bangkok as an incentive.

It is important to remember that deal is not successful until and unless the client returns from his/her tour satisfied. For this very reason, it is advisable for you to keep in touch with your client and smoothen various transactions taking place at the place of visit. Information about travel documents and other precautions like medical, etc. should be conveyed to the client and any special request of the client should be conveyed to the tour-operator. It is important to point out here the concept of delegation of power which you have studied in MTM-01, can be achieved by teaching your subordinates about the work process. A good service to any client, old or new will ensure a lifetime relationship with them.

Similar mind set should be maintained while dealing with tour operators. Keep in touch with them to ensure a pleasant and successful deal for both your client and the tour operator. A good professional and personal relationship with your tour operator will ensure that even in the time of high demand low supply periods, your principle supplier will help you out.

As in the case of ticketing, do keep a record of your tour bookings. Record should tell you at one glance about the name of the tour operator and tour, tour price, commissions, clients' name, address, profits and so on. Try to maintain a record of after sale and tour feedback report from your client because it will help you in telling your principle suppliers about the areas where they lack client insight. It will also help you to know both your client and tour operator better. One way of ensuring that your first time client becomes life time client is by making them feel special, say by the way of word of welcome or thanks for your visit by the manager.

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## 8.8 LET US SUM UP

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Managing internal operations of a travel agency holds the key to success to not only overall performance of the agency as well as for overall satisfaction of tourist and thereby meeting their expectations. If the operations like issuing of a rail or air ticket, or booking hotel room in appropriate advance is not carried out efficiently it is you as a manager who will have to face the music from all fronts. Thus, before inducting any new employee in this crucial section you need to give him/her proper orientation towards how crucial would be their role. The functions of internal agency operation department are not that easy as they appear to be. Moreover, this department has also the responsibility of maintaining close and effective liaisoning with other players of this sector so that entire operations can be carried out smoothly.

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## 8.9 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer Sec. 8.2.
- 2) Refer Sec. 8.3.
- 3) Refer Sec. 8.4.
- 4) Refer Sec. 8.6.
- 5) Refer Sec. 8.7.

## **UNIT 9 MANAGING TRAVEL AGENCY OPERATIONS – II**

### **(Dealing with Principal Suppliers)**

#### **Structure**

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Relationship with Principal Suppliers
- 9.3 Dealing with Air Travel Providers
- 9.4 Dealing with Tourist Transport Suppliers
- 9.5 Relationship with Accommodation Suppliers
- 9.6 Challenges for Relationship
- 9.7 Let Us Sum Up
- 9.8 Clues to Answers

#### **9.0 OBJECTIVES**

After going through this Unit, you will be able to:

- explain the shift from traditional to modern relationship between travel agencies and their principal suppliers,
- learn techniques of engaging and handling principal suppliers, and
- know the challenges for sustainability of this relationship.

#### **9.1 INTRODUCTION**

You have already been told in the previous Unit the reason for the growth of travel agency business. In this Unit our focus will be on the traditional and modern linkages between travel agencies and their principal suppliers. In this Unit, therefore, you will not only study the traditional relationship between travel agencies and principal suppliers like airlines, hotels, tourist transport operators, conferences/convention facility providers and all those individuals or groups who are directly or indirectly involved in tourism activity, but an attempt is also made to provide you an insight to view the emerging concepts of B2B (Business to Business) relationship in travel trade. This B2B can be seen as a shift from traditional B2C (Business to Customers) concept.

#### **9.2 RELATIONSHIP WITH PRINCIPAL SUPPLIERS**

The modern travel industry is characterised by many small businesses, i.e., the service providers. These small businesses have recently come under pressure from changing external factors including those in the technological and competitive environments as well as from the "customers".

The economic linkages of principal – agency relationship served the tourism industry well over last 50 years or so. It made sense in the days when travel agents were just intermediaries remunerated by airlines and other travel suppliers to distribute their products. But today a very different world is emerging, where agents are emerging as "Travel Management Companies" whose first loyalty is to customers. On the other hand, in most of the cases monopolies have broken down and intense competition has moved in as far as the suppliers are concerned. The travel agencies have developed their own brands in relation to the quality of service provided to the customers and keeping this in mind they now choose their suppliers also. In the light of this changing scenario new sets of guidelines and strategies have emerged for engaging and handling travel service providers. Increased commissions are no more a criteria for selecting the principal supplier unless matched by the quality in service. In the competitive market of today no travel agency is going to survive for long if just

profits are given priority over the quality of service. Hence, as a strategic shift the travel agencies offer a varied price range of products, co-relating the type and quality of services with the prices. To this is added the concept of collective management efficiency of the services which can be achieved through:

- a) a one stop shop facility, i.e., one phone call or one electronic message enables you to organise the complete trip;
- b) the coordination of the bookings to reduce wasting times and mistakes;
- c) administrative/processing savings; and
- d) the coordination of management information through one source.

Like the travel agencies every principal supplier also has its own priorities like retention and growth of market share and distribution cost reduction. Travel agents play a crucial role in the accomplishment of both these priorities.

Both tour operators and travel agents enter into long-term contracts with air carriers, hotels and other suppliers for the provision of bulk travel services. Tour operators assemble them into a package tour, which are then marketed to the general public through travel agents. In this case now the travel agents are responsible to consumers for the provision of each component of the travel services that are offered in the package. This is because the consumer has bought the package in its totality. This very aspect of responsibility to the consumer makes it crucial for travel agency to deal with their principal suppliers on the basis of quality and costs both. Hence, the following aspects must be taken care off:

- 1) Investigate the reliability and willingness of the supplier to deliver the service timely, safely and as per the quality promised. In this connection, you may take into account suppliers' financial status prior history (both accident and safety), existence of insurance and compliance to all applicable licensing and safety regulations (both domestic and foreign).
- 2) Take into account risk factor as you cannot operate under an assumed duty theory. The consumer's exposure to risk should be minimal. Though there might be situations like that in adventure tours where a calculated risk would always be there.
- 3) In case of principal suppliers being health care providers or insurance agencies ensure that the claims settlements are timely.
- 4) In fact, an extremely professional approach is required while selecting the principal suppliers and this has to be customer oriented. Commissions, credit time, incentive schemes, etc., though necessary for achieving profits in business should not overwrite the quality aspect as ultimately it is the quality of the service that is going to bring you business and thereby profits.

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### 9.3 DEALING WITH AIR TRAVEL PROVIDERS

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Among the varied range of travel services, air carriers assume greater importance as principal suppliers. Mode of travel, time and cost related to it affect the decision making of the tourist consumer and is applicable in case of both – domestic as well as international air travel.

- i) **Domestic Air Travel:** Sales of domestic air travel is made through airlines and travel agents. In domestic air travel market elements to be considered are:
  - all players offer almost parallel services and aim to create strategic competitive advantages through the development of software application and customer loyalty programmes like Frequent Flyer Programme (FFP),
  - in marketing terms, airlines have two priorities, the retention and growth of market share and distribution cost reduction. As you have already been told that market share of any airline largely depends upon its distribution network. Distribution cost reduction obviously increases the competitiveness and profitability of the airlines,



- the channels of distribution network receives commissions from the airlines for the services provided. The rate of commissions paid are negotiated and agreed upon in agreement between the airlines and agent. Thus, one agent may receive more commission from one airline than the other,
- increasingly airlines and travel agents are using information technology to improve their competitive position. As a result, for agents the handling of their principal supplier has also become difficult due to the forces of globalisation which are transforming the way our corporate customers conduct their business, i.e., through internet, as a perfect medium for the sale of distributed products with instantaneous delivery. As we all know this has already swept all through this industry and there will be no going back. Airlines aren't going to review the cap or raise commission to the levels of the past. The internet is here to stay. Booking and ticketing processes will get more and more automated, and
- now you can handle your supplier by asking for following practices:
  - a) point of sales discounts;
  - b) discount for different types of payments, e.g., direct debiting, EFT or credit cards, etc.;
  - c) special discounts for using preferred carrier on individual bookings;
  - d) rebates for achieving a percentage usage of a particular (preferred) carrier;
  - e) discounts for group bookings;
  - f) discounts for travellers travelling in off-season; and
  - g) percentage discount on certain non-trunk international routes.

On the other hand, when you are booking for your customers, you must convince your customers that if earlier the bookings are made better would be the discounts available, higher the discount greater would be the number of conditions while negotiating with airlines. Thus, your objective shall be to make your buyers overall cost of travel attractive rather than just offering good discounts.

While handling your airline as supplier it would be advisable to base abovementioned discounts on the lowest logical fare. In practice you must know that there can be only three exceptions from taking lowest logical fares;

- when application of discount on another fare is cheaper;
- when discounted full economy fare which offer flexibility achieve a comparable cost; and
- where the overall costs of a fare and associated management cost is comparable when you are purchasing a higher cost fare.

As you know that the fees for service arrangements, an agent is employed by the customer rather than by the airlines, thus, you charge from the customer the net cost plus an additional fee for the services provided. It, therefore, changes the process from payment of travel agent by the airline to payment of the travel agent by the customer. When you pass this payment to airline on or before the settlement date commission is passed on to you, and you in return, if agreed, pass on partial commission to your customer.

- ii) **International Air Travel:** As you have learnt in your previous Units that the international air travel market is an open market with the diverse and flexible fare structures. International airlines have alliances which are reflected in special fare offers, code sharing and incentive schemes like Frequent Flyer Programme (FFP). Besides a wide range of fares, international air traveller from a variety of itineraries, accommodation type and other services. On the other hand, these choices give option to air traveller as regards what to choose from but on the other hand, these add complexity to the booking of tickets.

You must know as travel agent that international air travel and its suppliers are governed by following elements:

- a) Since there are many suppliers in the International market and supply and demand have a great influence on pricing when during off season prices go down demand increases, and during holidays even when holidays are sold at premium demand remain unchanged;
- b) Airlines which aligns their operations often compete in the international market a group by offering special deals;
- c) Consolidators buy airline tickets in bulk and then wholesale to agents, holiday groups, etc. This can naturally influence the availability of tickets especially during holiday seasons;
- d) International air travel market is more influenced by changes in fuel price or fluctuation in currency value than domestic air travel market.

Having learnt these elements involved in international air travel you can handle air service suppliers by following practices like:

- a) since there can be a number of different fares and conditions offered for the same itinerary for overseas travel. Fares for international travel are market driven and can see changes daily, different conditions or numbers of stopovers may apply. Thus, as a travel agent you should obtain the best option for your client;
- b) If certain international routes are travelled frequently, you should ask for special route fares from the carrier; and
- c) Discounts and rebates discussed in the case of domestic air travel can also be negotiated in case of international air travel.

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## 9.4 DEALING WITH TOURIST TRANSPORT SUPPLIERS

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When you talk about principal suppliers for tourist transport products you broadly think about:

- a) Private taxi and airport shuttle operators,
- b) Private bus line operators,
- c) Private tour operators,
- d) Operators of mass transit systems and their patrons,
- e) Independent operators of commercial vehicles,
- f) Commercial fleet operators,
- g) Emergency service providers, and
- h) Regional and state government transport undertakings.

### a) Private Taxi and Airport Shuttle Operators

When an independent tourist or group arrives in our country, as a travel agent your first job is to arrange the transfer of the same. In other words, you need the services of private taxi or airport shuttle operators in countries like Singapore, Malaysia and Thailand. In our own region, tourists are issued pre-paid vouchers by overseas operators to use airport shuttle services. Hence, you have to maintain linkages with these frontline service providers.

In our country we have constraints of parking space for these private taxis or airport shuttle operators. At one point of time you will find only one or two airport coaches in the waiting area or for pre-paid/ registered taxis at airport are only five to seven hundred. If we analyse the whole situation we find that most of the international flights land at midnight or in the early morning

hours, if one flight carries approximately 550 passengers and there are a minimum of 15 flights a day, number of passengers seeking services of these taxi operators or airport shuttle operators would be around 8250. For this number, 500-700 taxis are grossly insufficient. Thus, it becomes all the more important for you to handle your transport supplier in such a manner so that whenever you need their services you can easily find them.

**b) Private Bus Line Operators**

This segment of suppliers assumes importance when you are dealing with overseas groups, i.e., when in one season you are sure of booking for 15-20 groups each consisting of 50-70 passengers you would always require the services of these private bus line operators since you will have to move your groups from one tourist centre to another. For example, most of the foreign tourists want to have golden triangle of Delhi-Agra-Jaipur on their itinerary this circuit is normally covered by road. Thus, to have smooth operations of groups you shall have good linkages with them. Sometimes you do not handle your groups rather you assign it to some other person located at different place, thus, you shall establish healthy linkages with these private tour operators so that they give priority to your assignments and take total care of your groups.

**c) Operators of Mass Transit Systems**

Mass Transit Systems are advanced public transport systems that provide information on availability, location and scheduling of public transportation services and it also facilitate ride sharing. Objective for introducing such system would be to enhance customer service in general, service reliability schedule information accuracy and on time performance while reducing costs in particular. It is believed that more accessible more complete information about transit schedules routes and fares would attract more consumers. When you are in travel agency operation business, you shall ensure that you have been establishing linkages with right kind of operators of Mass Transit System so that you are able to provide satisfactory services to your customers. This will also enable you to provide customer care with regard to provision of information to the customers. Travellers need information concerning schedules, routes and fares before they leave known territory so that they can plan their trips in unknown territory(ies). They may also require your assistance during the course of their trip due to unprecedented conditions or circumstances. These days to provide information at all times and at all places tour operators have either established linkages or have setup their own call centres to answer the inquiries of valuable customers.

**d) Independent Operators of Commercial Vehicle**

Independent operators of commercial vehicles can also be viewed as important suppliers for your operation business. They are also known as independent commercial vehicle operators. These independent operators have a few of the Indian and imported vehicles catering the needs of selected segments of tourism industry. Therefore, it is advisable to be in good books with these operators. To achieve it, you are advised to make their payments regularly, give their staff members training at your own expenses from time to time to introduce your products/packages with the single objective of providing satisfaction and value for money to your customer. These fleet operators play a crucial role in successful operation of your business. These independent commercial vehicle owners are different from commercial fleet operators in the sense that latter have a big fleet of vehicles consisting of different sizes and qualities, i.e., both Indian and imported. Moreover, you don't have to provide training to them. They always recruit trained personnel for example commercial fleet operators utilize automatic tracking of vehicles, despatching of vehicles and weigh-in-motion system to improve the safety, efficiency and convenience of commercial vehicle operators. They also subscribe to way-finding and traffic status system (most advanced road signalling systems).

**e) State Government Transport Undertaking**

Even today tourists prefer to visit many states of India by road. For instance, Rajasthan, Himachal Pradesh, West Bengal, Maharashtra, Karnataka, Tamil Nadu, are a few areas to name from the list. Attractions in these states, though remotely located, are enjoyed by visitors due to their accessibility by road or by rail. Wherever tourist be located if he or she has to go to Shimla will first reach to Chandigarh or Kalka and from there proceed to Shimla. Hence, road transport

provided by state transport undertaking also plays as important role as airlines or private taxis. It wouldn't be an exaggeration to say that 70 - 75% of about 230 millions domestic tourists use state transport system for their visits. So, it becomes unavoidable for you to establish good linkages with them to get bulk bookings (groups) even during peak seasons.

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## 9.5 RELATIONSHIP WITH ACCOMMODATION SUPPLIERS

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After travel the next is to deal with accommodation providers. In many cases the role of accommodation is so vital that it has become a destination in itself. Imagine going to a hill station during summers without having booked your accommodation. You might have used the best mode of transportation but in the absence of accommodation the tour will be a waste. Commissions and credit time play a crucial role in deciding in the nature of accommodation to be packaged or sold to a customer. This is applicable to all types of accommodations ranging from five-star to non-star categories. At the same time the location of the property and the destination, services offered, etc. are also crucial determinants. You must ensure that your customers get a preferred treatment and are not put to any discomfort (wait in the lobby for location of rooms, bad location of room, etc.).

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## 9.6 CHALLENGES IN RELATIONSHIP

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Ever since the travel trade has come into existence travel agents have enjoyed healthy relationship with tour operators. This relationship is based on the mutual benefit for both the trade partners. If tour operators want to sell their products/services they need retailers and the travel agents fill this gap by acting as their intermediary. However, today this relationship is facing natural challenges from the market conditions, i.e., travel agents are forced to act as tour operator to sustain themselves in the trade. As a result, there exist thread line difference between their function and huge gap in their relationship. In the recent times tour operators have started reaching to their customers directly due to cut throat competition and price war. You must have seen in the newspapers even big tour operators have started advertising their special tour packages designed for all sections of the society be it up market or budget market.

The travel agent component of the tourism industry is a prime example of an industry that has undergone immense environmental changes. For example, the most contributing supplier airlines has seen significant macro-economic changes which are often volatile, i.e., rising, then dropping and recently rapidly rising jet fuel prices have its reflections on the costs of tickets. Similarly, the periods of recession and economic growth, demographic changes and deregulation of the airline industry have all affected relationship within the tourism industry.

In a survey conducted by National Business Travel Association (NBTA), U.S., over 350 corporate travel professionals, 56% cited reduction in travel costs and 45% said improved security procedures at transportation gateways, can turn around business travel volumes, trimming travel costs and strengthening buyer/supplier relationships are priorities for most respondents. 67% said they have increased contact with preferred partners in past 12 months and 53% have seen corporation implement cost-cutting measures. According to the survey most of the travel managers have reached out to suppliers, with 78% saying that they have sought and renegotiated current contracts and 75% said that they have increased contracts with alternative suppliers. On the other hand, according to the same survey, suppliers are implementing more alternatives to normal booking channels in order to reduce their distribution costs because 86% of suppliers say that there have been increased sales as companies have now being seeking alternative travel suppliers with lower costs. (Website: NBTA)

If we look at the whole gambit of relationship between agent and principal supplier from this changing perspective we see that competition has intensified in the travel market place, forcing down margins. Airlines have cut commissions and accelerated the availability of net fares in the hope of driving down their distribution costs.

For agents, the handling of principal suppliers has also become difficult due to the forces of globalisation which are transforming the way our corporate customers conduct their business, i.e., through internet as a perfect medium for the sale of distributed products with instantaneous delivery.

**Hotels provide accommodation, meals and refreshments for at periods of time for those who stay on the premises and pay for the services provided.**

Today, the hotels provide much more than just accommodation and meals. Services are provided to the guests based on their needs and now the hotel industry is commonly referred to as hospitality industry. We can classify hotels on the basis of infra-structure, facilities and services that are provided by them. Broadly speaking hotels can be classified on the following basis:

- a) room charges or price, i.e., budget, luxury, etc.
- b) range of facilities, i.e., five star, no star, etc.
- c) location, i.e., resort, etc.
- d) length of stay, i.e., transit, residential, etc.
- e) ownership and management, i.e., chain, individual, etc.

### **Types of Hotels**

#### **i) International Hotel or Star Hotel**

These hotels are modern western style hotels located in almost all metropolitan and other large cities as well as at principal tourist destinations. Usually, they are located at a prime location in the city. These hotels are luxury hotels and are classified based on an internationally accepted system of classification grading. There categories range from 7 to 1 star grade depending upon the facilities and services provided by these hotels. In addition to accommodation various other facilities are provided to make the stay more comfortable. These facilities include -- information counters, banquet halls, conference facilities, a number of shops, travel agency, desk business centre facilities, money changing and safe deposit facilities, theme restaurants, beverages, swimming pool, gymnasium, health clubs and other entertainment programmes in the form of games, music and dance, etc.

**Price of the room varies depending on the category of hotel. The facilities available also affect the pricing. Usually the clientele is business executives and up budget tourists.**

It is important to note here that the categorisation of hotels into stars is not mandatory in some countries but it delivers some satisfaction to guests that he/she is using a graded hotel.

#### **ii) No.-Star or Commercial Hotels**

At every tourist destination one comes across hotels which do not come into any classified criteria. These hotels mainly depend upon individual travellers, middle budget tourists and many of the guests are repeat guests.

**These hotels are located near the business or commercial centres of the city and have easy access to transportation. They provide accommodation, parking space for guests and their visitors, restaurants and sometimes business centre facilities as well.**

Size of such a hotel varies from small to medium. The rooms of these hotels are priced lower than International hotels.

#### **iii) Residential Hotels**

These hotels can be described as an apartment house complete with hotel services. They are also referred to as apartment hotels. These hotels are largely located in big cities and they mostly operate under the European Plans where no meals are provided to the guests. Though in United States, room service along with maid and valet services are provided to the wealthy guests in the luxurious residential hotels.

The concept of residential hotels started in America where people found that permanent living in hotel offers many advantages. These are very popular in United States and Europe.

#### iv) Floating Hotels

As the name suggests, these hotels are located on the surface of the water. It may be on seawater or river water or even on a lake. These hotels provide all the facilities and services of a hotel and are very popular with the tourists. In many cases, across the world old ships have been converted into these types of hotels and have become popular among the tourists.

The size and price depend upon the hotels. Sometimes they are part of a hotel chain or they can be owned by individuals as in case of the houseboats in Kashmir.

#### v) Capsule Hotels

Capsule hotel is the latest innovation in the budget hotel market. The first of its kind was opened in Osaka, Japan in the year 1979. Now, they have mushroomed not only in big cities of Japan but also in other parts of the world.

The capsule is a box made of glass reinforced plastic or cement, open either at one side or one end in which they provide some functions of a traditional hotel such as a bed, a clock, radio, colour TV, flexible lighting, a box for valuables and a miniature table for writing. Rooms in a capsule hotel are lined up in a double decker fashion along with a central aisle as in a sleeping compartment of a train. Toilets and washrooms, vending machines and lounge area are close by on each floor of the hotel. The function of each capsule is monitored by a central computer system and security is controlled by close circuit TV cameras. They mainly cater to the business travellers. The low tariff and vintage locations are the major factors for their popularity.

#### vi) Transit Transient Hotels

As the name suggests their location are in close proximity of the airports, catering to guests who stay for a limited period of time from few hours to a few days. This category may include any type of hotel providing temporary accommodation to its guests.

#### vii) Heritage Hotels

Old properties of the royal and aristocratic families are renovated and the old aura is recreated for the tourists to stay in heritage surroundings. The heritage properties are an attraction in themselves and the best example would be the state of Rajasthan and Gujarat in India, which have made huge profits by using the concept of heritage.

Paradors in Spain and Posadas in Portugal are castles and other historic buildings that have been converted into hotels by the government. They cater primarily to vacationers, offer full meal plans and are reasonably priced. More luxurious castle accommodations are available in France (Chateaux) and in Germany and Austria (Schlosse). These heritage properties render a valuable and memorable experience to their guests when they serve them as nobles or members of royal family.

## 2) MOTELS

The basic difference between hotel and motel is that it provides parking space to the travellers travelling by automobiles and the rooms opens to the parking lot. The history of motels can be traced back to tourist cabins which were located near highway, catering to businessmen travelling by road. Tourist cabins gave way to Tourist Courts which provided the same services and facilities but it became a 24 hours business. They offered 20 to 24 rooms around a central parking space with some garage and refuelling facilities.

The concept of motels became very popular in America as the automobile travelling increased. Over the time many motels started adding a lot of extra amenities such as swimming pool, restaurants, business centre and in-room television became standard features. And thus, these motels also started attracting vacationers as well.

## 3) RESORTS

A resort hotel is one which is visited by holiday maker or tourists for relaxation, recreation and/or for entertainment.

Resort hotels cater to tourists and are located near place of some scenic beauty, i.e., the sea, mountains or in 'off the beaten track destination'. These days, resorts are also found in wildlife sanctuaries or national parks.

The primary reason, as is mentioned earlier, for visiting a resort is rest and relaxation and these hotels are built with the objective of indoor recreation activities giving visitors special welcome and atmosphere of informality.

The services and amenities offered by resorts include swimming pool, tennis court, skiing, boating, surfing and many others. The clientele of resort hotels is mostly persons with considerable income looking for relaxation and recreation.

Resorts can be of various types and can be classified on the basis of climate and topography. Broadly, they fall in the following categories:

- i) Summer Resorts,
- ii) Winter Resorts,
- iii) All Seasons Resorts,
- iv) Hill Resorts, and
- v) Health Resorts.

A majority of the resorts are seasonal establishments and provide special facilities and other concessions to the guests with a view to extend their seasons of operations.

#### 4) TIMESHARE APARTMENTS/CONDOMINIUMS

Concept of timeshare, is also popular as vacation ownership or holiday ownership, offers the purchaser the right to enjoy, for a set period or interval, each year, vacation time in an apartment or other type of lodging that is a part of a tourist complex, equipped with a variety of services and facilities. In other words, it is effectively the advance purchase of time in holiday accommodation. The period of time sold is usually based on modules of a week, fortnight or a month.

Across the world people enjoy the value of timeshare. Timeshare concept grew into a major phenomenon and large number of people started using it only in 1980s and 90s. Origin of this concept can be traced back to 1960s. Since then it has become a global product. Consumers have option of more than 4000 timeshare resort projects being consumed by nearly 3.1 million purchasers worldwide. This impressive growth is largely due to value of this product and its market appeal which doesn't recognise any geographical boundary, age or social status. Above all, it provides flexibility and variety to the holiday experience and choice for purchasers to choose from world's most exciting holiday destinations at a very reasonable price.

It is believed that more attention will be placed on recreation and personal renewal, on cultural and educational stimulation, and on a sense of balance of life that not only purchasers will simply leisure but also need in its basic sense. Why and how this will happen. To answer this question we can refer to report of a recent US survey of more than 2000 timeshare owners entitled - "Timeshare Ownership Benefits", conducted by Ragataz Association, following results were recorded:

- i) 82% believe that timeshare has had a positive impact on their vacation planning;
- ii) 73% enjoy vacations more as timeshare owners;
- iii) 70% agree timeshare has allowed them to stay in higher quality accommodation;
- iv) 68% have developed a greater sense of confidence that they can travel and vacation without worries as a result of owning timeshare; and
- v) 65% find they have more opportunity to spend quality family time together during vacation.

(Source: Timeshare: The new Force in Tourism, An Affiliate Member Publication of the World Tourism Organisation; pp IX; 1996)

provided by state transport undertaking also plays as important role as airlines or private taxis. It wouldn't be an exaggeration to say that 70 - 75% of about 230 millions domestic tourists use state transport system for their visits. So, it becomes unavoidable for you to establish good linkages with them to get bulk bookings (groups) even during peak seasons.

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## 9.5 RELATIONSHIP WITH ACCOMMODATION SUPPLIERS

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If we look at the whole gambit of relationship between agent and principal supplier from this changing perspective we see that competition has intensified in the travel market place, forcing down margins. Airlines have cut commissions and accelerated the availability of net fares in the hope of driving down their distribution costs.

For agents, the handling of principal suppliers has also become difficult due to the forces of globalisation which are transforming the way our corporate customers conduct their business, i.e., through internet as a perfect medium for the sale of distributed products with instantaneous delivery.



As we all know this change is sweeping all through our industry and there can be no going back. Airlines aren't going to remove the caps or raise commission to the levels of the past. The internet is here to stay. Booking and ticketing processes will get more and more automated.

With the rise of the web and the development of call centres airlines have the chance to take back, direct control of their passengers. This has reinforced new phenomena, i.e., internet travel agents such as e-bookers or expedia. In part this is because airlines are under pressure to sell a product with a limited lifespan. A seat on an aeroplane is worthless when it is empty to take off. Therefore, challenge is to sell these unsold seats before take off. In response to this demand online bookers have online auction of unsold seats at last minutes. For example, if a cross-Atlantic unsold seat is auctioned at US\$ 50, it is betting on net loss because even after meeting travel agents' commission, payment and fee, global distribution system fee and ticketing charges, airline itself is lucky to see 50% of total amount; i.e., US\$ 25. Thus, airlines as a principal supplier shall admit that they cannot survive alone. Even when these airlines reduce commission, travel agents would manage to compliment their efforts with wafer thin margins. It is also because of the fact that travel agents and payment card companies know more about an airline's customers than it does.

From this point there can be two-way movement, i.e., either some big players in different sectors could form partnership to break up airlines. For example, partnership between an online travel agency and AOL/Time Warner could create a virtual airline, hiring jets, crews, maintenance facilities and any other necessary services to undercut real world airlines who are their partners. Other movement can be that airlines join hands with banks and other organisations in providing products and services for defined target markets. Every body will benefit. The single action of buying an airline ticket from the partnership website will trigger a chain of cost saving and cross selling opportunities. For instance, airline will immediately save ticket commission of upto 15% plus charges for distribution, ticketing and reconciliation. The bank on the other hand gets payment card fee and if one of its smart card is used the ticket details themselves can be downloaded directly on the chip, eliminating ticket printing and distribution costs. This would pose a challenge for travel agents to gear up and upgrade their websites. Though airlines have websites specifically designed for them, but it would be intermediaries who should make the running travel agents shall make airlines realise that more is ordered through them, lower would be the operating cost for airlines and moreover airlines can do away with the inherent fear of sharing information which other wise has become difficult for them.

Another important challenge before the intermediaries of present times and future would be to develop two sets of business relationships, i.e., one relationship with customers and one relationship with suppliers. You should build one set of relationship primarily around the needs of your customers because without them you have no business. You should be able to analyse what are their needs and to what extent you are able to deliver them. Business travel is projected to be growing at a faster rate than holiday tourism; therefore, you are advised to carefully analyse the needs of corporate customers. These corporate customers have primarily three priorities:

- a) They want their execution to be well cared for,
- b) They want to see costs come down, and
- c) They want to put more effective travel management operations in place.

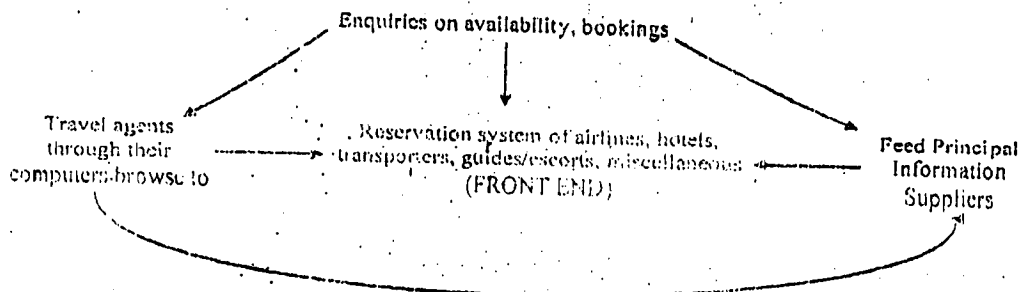


Figure I

All these priorities of corporate customers can be met by creating a healthy and competitive environment by you.

As far as relationship with suppliers is concerned it is advisable to develop front-end business descriptions.

This is effectively a value added service to enable the distribution of leisure travel and tourism products between principals, tour operators and travel agents. It enables to maintain 'many-to-many' "trading relationships". This "many-to-many" trading relationship can be illustrated as:

**Figure I** clearly illustrates that the front end gets you a generic (but customisable) user interface allowing you the entry of booking details with enhanced navigation and information facilities.

This kind of front-end user, if used by you can render following benefits:

- a) It gives you ability to make multiple, simultaneous enquiries for a holiday using only one set of data entry stream;
- b) It enables you to have effective link between front and back office system and thus gaining improvement in managing customers and providing customer service;
- c) You can speed up your booking process by taking full advantage of high network speed of this front-end intranet facility;
- d) It allows you automatic search on preferred supplies system, i.e., matching your commercial needs with that of supplier in line with existing business practices;
- e) When you are handling higher value sales in your presentation it enables you to make images and video clips;
- f) When you are using this facility cost of sale is known to both principal as well as tour operator;
- g) It generates detailed and accurate management statistics regarding booking transactions;
- h) Because of the use of the interface platform principal and travel agent are able to give better support to the retailers in the form of customer specific sales and marketing information as well as customer service; and
- i) Its use allows both principals and tour operators to maintain their market penetration whilst enjoying the benefits of the technological change.

To sum up, we are witnessing a rapidly changing scene in travel distributions driven by technology advances and an increasingly competitive market place. We are facing new issues and challenges more particularly related to the use of intranet and internet facilities which need to be carefully addressed for developing a healthy relationship between principals on one hand and tour operators and retailers on the other hand. In modern marketing terms it can be called business-to-business (B2B). E-commerce is becoming increasingly important topic to be addressed in the marketplace. The major challenge before you would be to survive in the age of e-commerce which is largely being used by suppliers as their distributors' network. For instance, when they introduced tickets to eliminate the paper tickets that customers were accustomed to, having delivered to them by agents. In short, time has come where principal suppliers would do everything possible to bypass the travel agents to avoid paying commission and to recapture principals relationship with their customers, i.e., moving direction of e-commerce from B2B to B2C, i.e., from Business-to-Business to Business-to-Customers.

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## 9.7 LET US SUM UP

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A travel agent or as a manager/supplier of tour operation activity, you shall not only maintain linkages with different suppliers but must also handle them in such a manner so that they shall provide satisfactory services to your clients. Your customer spends directly or indirectly more time with your principal suppliers yet be it airline, hotel, local transport, site or any other ancillary service provider. This puts the entire onus of quality on you because the customer has bought everything out of you. Hence, customer satisfaction and promotion of your own business will depend on the relationship you have with your principal suppliers and remember this relationship gets reflected when the principal supplier cater to your customers, say for example, if you have delayed your payments to the principal supplier your customers may not be treated well by the principal suppliers. This again will be a right thing on the part of that principal supplier, as it will bring bad publicity to him only. Remember that intra-industrial relationships have to be built on the basis of mutual confidence, trust and fair play. If this is there, differences can be sorted out on company to company basis without affecting the quality of service to the customers.

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## 9.8 CLUES TO ANSWERS

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<b>Check Your Progress</b>
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- 1) Refer Sec. 9.3.
- 2) Refer Sec. 9.6.

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## UNIT 10 MANAGING TRAVEL AGENCY OPERATIONS – III

### (Publicity and Promotions)

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#### Structure

- 10.0 Objectives
- 10.1 Introduction
- 10.2 The Need
- 10.3 Issues Related to Sales
- 10.4 Promotional Issues
- 10.5 Marketing Communications
- 10.6 Public Relations
- 10.7 Let Us Sum Up
- 10.8 Clues to Answers

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### 10.0 OBJECTIVES

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After studying this Unit you will be able to explain the:

- nature of travel and tourism marketing,
- availability of promotional media tools
- steps involved in designing the promotion campaign, and
- methods for evaluating the campaign.

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### 10.1 INTRODUCTION

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An exotic location with great facilities does not automatically translate into a tourist destination. A promotional campaign is needed to familiarise the tourism industry and tourists about that location. The same holds true for all the travel related services; let it be a cruise, a hotel room or a tour package. One cannot buy something one is not aware of. There is a need for promotional campaign in all the spheres of travel industry to make a tourist or a corporate client aware of the options and choices open to him/her.

In this Unit, you will learn about the various promotional avenues used by the travel industry. In MTM-7 you have already read about various methods of sales promotion. In this Unit, you will learn how to use them effectively to promote your travel agency business.

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### 10.2 THE NEED

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You can be successful only when your product sells and in order to materialise sales you ought to promote your product in the markets. Increasing competition in the market has led to the adoption of different promotional strategies and techniques in order to attract the clients, generate interest in the product and close the deal, i.e., complete the sale. Today, information technology has emerged as a very strong tool for promotional purposes and the role of electronic media is quite significant. More and more prospective customers are surfing the net and going through the websites of different service providers. In spite of this attitudinal change, the distribution channels continue to be the largest sellers. Travel marts and travel shows continue to provide a platform for executing travel related sales. However, there is a lot of interdependence amongst the various players in tourism and already in the last Unit you have read about the linkages that are maintained through the principal suppliers. Further, the image of the destination also has a massive impact on the individual suppliers of tourism services. Similarly, the type and quality of services of the various players has a bearing on the image of the

destination. This makes the situation extremely complex for individual suppliers. With increasing emphasis on sustainable development of destinations and the need of responsible tourism has all together changed the nature of promotional campaigns. The product-oriented approach had long back given way to consumer-centric approach. And today, the concept of the sustainability of the destination has come as another dimension in product promotion and sales. The task of the marketer today is to satisfy the needs of the tourists in such a way that no harm comes to the living destinations. This is the challenge that has to be reflected in the sales techniques as well as in promotional campaigns for the products of any player in the tourism industry. At the same time one also must have knowledge of the conventional methods in sales and promotions.

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### 10.3 ISSUES RELATED TO SALES

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In MTN-7, you have read in detail the various features of sales management. While managing a travel agency, based on the theoretical models you have studied earlier, you have to take certain strategic decisions. For example:

- 1) Should we sell directly to the travellers/tourists?
- 2) Should we sell through the distribution network and channels (intermediaries)?
- 3) Should we adopt both (1) and (2) above?

A decision in this regard will depend upon the volume of business that you target and within these broad categories mentioned above there are agencies that further narrow down on the buyers. For example, an agency might deal only with the corporate sector and have them as their clients. Another agency may like to deal only with up-budget tourists while another one will go for mass sales. The policy decided upon in this regard has its bearing on the type of sales personnel to be recruited by the agency as different skills may be required in dealing with different types of clients. For example, selling directly to a client would require acquainting the client with the features of the products and how these features match with the client's requirements. On the other hand, selling to an intermediary could also bring in a question of commissions to be offered, mode of payment and payment schedule and also sharing of expenditure on promotional activities, etc. Hence, the number of sales force, their skills, their targets, etc. become all inter-related, dependent on the policy decisions of the agency. Similarly, the salary structure, incentives, and other motivational benefits have also to be determined along with preparing the sales plans. A good agency manager would also take into account sales forecasts and accordingly determine the sales budget etc.

In case you decide to sell through the websites (which is a must these days), you will have to take decisions about its design, size, and regular upgradation, etc. Generally in such cases one hires the services of professional consultants from the information technology field and accordingly make the choices. But you must remember that its better not to have a website rather than having one which is not updated or gives half baked information.

As a manager you have to ensure that your sales personnel have the latest knowledge and promise to the customer what your agency is capable of delivering. Mismanaged claims can lead the agency to problems.

One has to keep a very close watch on the sales graph of the company and for this one must have a good management system (MIS). Generally, the tendency is to work towards increase in sales, but one must also keep a watch on where one is loosing out. One should not only work towards having repeat clients, but must work towards sustaining clients and for this a close watch should be kept on your customers. If you find any one has moved out try to convince the customer to return to you.

If your company is large enough you should participate in the travel trade fairs and travel marts organised at both national and international levels. Membership of your professional associations comes handy in this regard. Many a times, in international travel mart, the space is taken by the representing association or the Department of Tourism and this space is further reallocated to members who apply for it. This is a cost effective measure. Though in India, organisations in the tourism sector have not gone for individual sale displays, the time is not far when companies will go for such measures. In this field also there are professional consultants to help and advise you.

## 10.4 PROMOTIONAL ISSUES

Promotion is an essential component in services marketing and it should not be confused with selling, advertising and publishing. Promotion is mainly used, as a short-term incentive to stimulate the sales of services and normally what is offered through promotions is something extra than what is normally offered in the product or service without charging anything extra. There can be a number of objectives for a travel agency to go for sales promotion and the strategy opted in this regard would depend on the type of objective one has decided upon. For example, if the objective is to retain the old customer you can come out with a discount offer for using your services for the second time. Similarly, if the objective is to counter competitors you may offer something extra than what is being offered by your competitor. In fact many a times it is often a mix of objectives that the organisations tend to set up for promotional purposes. However, you must remember that the objective thus set off should be in compliance with the marketing objectives of the organisation. In MTM-7, Unit 12, you have already been made aware of the various methods adopted for sales promotion and the activities like planning, strategic decisions, etc. associated with it. Hence, one does not go into all that details here once again. However, you must remember the following:

- There is cut throat competition today in this business and hence, innovative strategies have to be worked out to have an edge in the market.
- As a member that what you will adopt and offer will be soon duplicated by others.
- You have to keep a close watch on what extra the others are offering.
- In tourism business there is always the opportunity for joint promotions – explore the feasibility in this regard. You also have the option for simultaneously adopting multiple schemes but don't crowd the options as it may confuse the consumer.
- Your business is affected by many external factors that are beyond your control. For example, if a country has put up a travel advisory to its citizens for not to travel to a particular destinations. It will be foolish to indulge in promotional activity there. On the contrary, this being a political decision, you will have to lobby with your own government to intervene and get the advisory reversed.
- Seasonality is a prime factor in tourism. Hence, time your promotions accordingly.
- Try to develop a brand image for your organisation so that consumer sensitivities in relation to price and expectation etc. have the least impact on your sales.
- External promotion campaigns should be backed up with internal promotion campaigns like giving, incentives bonus or commissions, etc. to your own sales personnel.
- You should not only monitor but also measure the performance of your promotional campaigns and also look for follow up actions.

Besides the above aspects, you have to also ensure the following:

- Be absolutely clear about your target audience.
- You have a complete plan for promotion.
- You have sufficient budget, etc.

Another aspect that is generally not taken account of is caring for the cultural sensitivities not just of your target audience but the society as a whole where the promotions are to be carried out. This is equally true in the case of advertising. In complex societies, even a small slip can attract both social as well as religious protests. We have often seen this happening in the case of multinationals that have been insensitive to local customs and traditions. Take for example, the following promotions.

**"Come with your girlfriend, buy two cold drinks and share the third -- a free drink from us"**

Now such promotion may yield good result in a metro but would bring strong reactions in small towns or in a rural society. The same can be the situation in relation to using cultural symbols for promotions. Hence, you should be extremely careful in this regard.

In fact, you should devise strategies for all types of promotions whether it's a question of consumer promotions, trade promotions or sale force promotions and once again we refer you back to Unit 12 of MTM-7 in this regard.

## 10.5 MARKETING COMMUNICATIONS

You are already familiar with the concept of marketing communications and elements of promotion mix (Unit 9, MTM-7). In case of tourism services, its role becomes much vital as the consumer, i.e., the tourist has to be convinced to visit the destination. Tourism operates as a system with inbuilt linkages amongst the various components of the system. Marketing communication of each component has a bearing on the other. For example, an airline might have an excellent marketing communication and under that brand the tourist are ready to fly also. On the other hand, the destination as such may not have a good image in relation to the safety of the tourists. Thus, the bad marketing communication of the destination will affect the market of airlines or so. Though tourism is geared towards fulfilling the dreams of the tourists, the service providers should communicate what they can fulfil and must refrain from communicating to the tourists what they cannot.

A variety of media are used to execute a promotional campaign. One must take the services of an expert in this field in order to select the medium of communication. Today, electronic media is surpassing all other mediums but still the print media remains effective too. Generally, advertising on electronic media is backed by advertisements in the newspapers, magazines and journals, etc. Further, brochures, travel videos and travel documentaries have their own role though gradually promotional CD-ROMs have come up in a big way.

You must follow all the essential of an advertising policy on a promotional campaign. For example, you should be clear about your target audiences; your message should be clear and as such which immediately attracts attention; cost effective and at the same time good in quality, etc.

For advertising you have to pay but publicity comes free of cost. It is necessary that you have good public relations in both print as well as electronic media so that they can report your promotional activities.

In tourism promotional activities are targeted at intermediaries also as bulk of the business comes through the distribution channels. Some such activities are:

- 1) **Familiarisation, or FAM, trips.** As you know suppliers offer FAM trips to travel agents and tour operators and travel writers so that they can experience a product firsthand. These FAM tours are usually offered free or at minimum cost. They are used by airlines (to promote new routes, new destinations, and new aircraft), by hotels (to promote new properties), and by government tourist offices (to promote cities, regions or whole countries as tourist destinations). The theory behind the FAM trip is that "you cannot sell what you haven't seen".
- 2) **Sales contests.** These are sponsored by suppliers to reward travel agents who sell a certain number of airline tickets, hotel rooms, cruises, and so on. These points can be utilised by the agents, operators or can also be encashed by them. When they are encashed some part of this is transferred to the clients.
- 3) **Travel trade shows, travel fairs and travel seminars.** Held for members of the trade, these gatherings offer an excellent opportunity for government tourist offices and suppliers to meet face-to-face with travel agents and other distributors. They are particularly effective forums for promoting new products and services.

**Promotional Activities:** In some cases sales promotional activities are one-time events used to stimulate consumer packaging. They may be targeted at prospective clients (to encourage them to buy the product promoted) or at travel agents and tour operators (to motivate them to sell the product). Sales promotion directed at the consumer includes:

- Special offers, such as promotional airfares and hotel rates, free gifts with purchase, and free trips offered as prizes in contests.

- Travel fairs and exhibitions. These are particularly effective promotional events, because they allow suppliers to reach a large number of potential travellers in a single location. Sales literature is distributed at the event.
- Travel nights. These are staged by travel agencies and sometimes co-sponsored by suppliers. Travel nights are often used to promote tours and cruises. Wherein prizes may be awarded to further stimulate consumer interest.

## 10.6 PUBLIC RELATIONS

Public relations, or PR, the third of the main promotional techniques, is used to reinforce advertising and sales support activities. It can be defined as the use of planned communications efforts to create a positive image for a company and its products. Unlike the other forms of promotion, it is not directed at prospective clients or travel intermediaries, but rather at journalists, editors, travel writers, and other media representatives. Travel companies target these individuals because they are in a position to create and influence public opinion.

Typical public relations activities include press releases, press conferences, guest appearances on radio and television, and FAM trips for travel writers.

A press release, the most commonly used PR tool, is prepared by a travel agency or tour operator and mailed out to newspapers, magazines, and television and radio stations. The release might announce an inaugural flight; all a new package the opening of a hotel, travel agency, or government tourist office; the introduction of a new product or service; or a visit of VIP to your hotel, e.g., when Bill Clinton visited India and preferred to stay in a Sheraton group hotel gained force of cost publicity. It may also include any other newsworthy event.

A press conference is used to publicise travel-related events. Instead of sending out a press release, the company holding the press conference sends out invitations to reporters from the print and broadcast media. Those attending the press conference are issued a press kit with background information on the company and its new product or service. If the press conference achieves its goal, the event will receive favourable coverage in the news media.

Guest appearances on radio and television talk shows give travel company representatives an excellent opportunity to promote their products at no cost. All expense-paid FAM trips for travel writers can be a very effective way to receive publicity. They can backfire, of course, especially if things go wrong (maybe a missed flight connection or a bad choice of hotel).

Public relations has much in common with advertising in that it aims to promote a product, a service, or a destination. There are, however, important differences between the two:

- Public relations involve the securing of free media space or time. No payment is made for the print or broadcast of press releases. For this reason, public relations is sometimes referred to as "free advertising".
- Because it is written or printed by a third party, public relations tend to have more credibility than advertising. People are often sceptical of the advertising message, but they are inclined to believe what they see, hear, or read in the media.
- On the negative side, promoters have far less control over public relations than advertising. A press release, for example, may be edited or not even used to all. In addition, public relations is hard to evaluate because of the difficulty in measuring its cost effectiveness.

In tourism word to mouth publicity plays a vital role in promoting a destination or a service. For example, as a tourist before booking your air tickets you do ask your friends which airlines they travelled, how was the service and many tourists come to a travel agency predetermined on the airlines they will travel or the hotel they would like to stay. You must have trained staff to handle such clients and in case you want to sell some other airline, or hotel your staff must be extremely cautious not to loose or annoy the customer.



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## 10.7 LET US SUM UP

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If a destination has all possible attractions but is not known to actual potential tourist, the destination has no touristic value. To market or sell the travel agency products, sufficient awareness base is to be created, informed people are to be turned into active 'desire to consume' the product and finally persuade to buy them. All this, though appears to be a simple activity but practically it involves lot of planning in launching and evaluating the promotional campaign. This Unit attempted to familiarise you with certain issues related to sales and promotions in travel agency business. In fact, these are equally important for other components of the tourism industry.

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## 10.8 CLUES TO ANSWERS

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**Check Your Progress**

- 1) Refer Sec. 10.2.
- 2) Refer Sec. 10.4.
- 3) Refer Sec. 10.5.

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## UNIT 11 MANAGING HOSPITALITY OPERATIONS: ORGANISED SECTOR

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### Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Types of Accommodation in the Organised Sector
- 11.3 Policy Formulation and Strategies
- 11.4 Financial Management
- 11.5 Product Design
- 11.6 Marketing Management
- 11.7 Safety and Security
- 11.8 Organisation of a Hotel
- 11.9 Let Us Sum Up
- 11.10 Clues to Answers

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### 11.0 OBJECTIVES

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After going through this Unit you will be able to explain the:

- typology of accommodation in unorganised sector,
- procedures involved in policy and strategy formulation,
- application of marketing management in hotels, and
- role of safety and security in organised accommodation sector.

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### 11.1 INTRODUCTION

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Ever since man started to travel in search of food, work, better prospects or leisure, there has been a demand for overnight stay. Lodging houses were built to provide accommodation along the trade and caravan route. Missionaries and religious travellers were accommodated by local people in their houses. But the demand for shelter kept on increasing with the development of highways and technological advancements in modes of travelling. As a result inns gave way to hotels.

Hospitality industry today is a massive industry providing home facilities away from home to millions of travellers. These travellers can be segmented into various categories like business travellers, tourists, etc. All have different needs and expectations. However, the hospitality industry is so versatile that it is catering to the needs of all of them. In this Unit, we will discuss the operations of the organised sector of the hospitality sector which design and implements the strategies and policies to support these operations.

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### 11.2 TYPES OF ACCOMMODATION IN THE ORGANISED SECTOR

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The term "tourist accommodation" invariably turns our attention to hotel. But tourist accommodation does not revolve around hotels only. The available types of accommodation can be classified as:

#### 1) HOTELS

Hotel is the most important unit of tourist accommodation. Though you are familiar with its features as a recap we mention them briefly again.

The dictionary defines hotel as "a place which supplies board and lodging"; "a large city house of distinction"; "a place for the entertainment of travellers" and "a public building". We can say that

Hotels provide accommodation, meals and refreshments for at periods of time for those who stay on the premises and pay for the services provided.

Today, the hotels provide much more than just accommodation and meals. Services are provided to the guests based on their needs and now the hotel industry is commonly referred to as hospitality industry. We can classify hotels on the basis of infra-structure, facilities and services that are provided by them. Broadly speaking hotels can be classified on the following basis:

- a) room charges or price, i.e., budget, luxury, etc.
- b) range of facilities, i.e., five star, no star, etc.
- c) location, i.e., resort, etc.
- d) length of stay, i.e., transit, residential, etc.
- e) ownership and management, i.e., chain, individual, etc.

### Types of Hotels

#### i) International Hotel or Star Hotel

These hotels are modern western style hotels located in almost all metropolitan and other large cities as well as at principal tourist destinations. Usually, they are located at a prime location in the city. These hotels are luxury hotels and are classified based on an internationally accepted system of classification grading. There categories range from 7 to 1 star grade depending upon the facilities and services provided by these hotels. In addition to accommodation various other facilities are provided to make the stay more comfortable. These facilities include - information counters, banquet halls, conference facilities, a number of shops, travel agency, desk business centre facilities, money changing and safe deposit facilities, theme restaurants, beverages, swimming pool, gymnasium, health clubs and other entertainment programmes in the form of games, music and dance, etc.

Price of the room varies depending on the category of hotel. The facilities available also affect the pricing. Usually the clientele is business executives and up budget tourists.

It is important to note here that the categorisation of hotels into stars is not mandatory in some countries but it delivers some satisfaction to guests that he/she is using a graded hotel.

#### ii) No.-Star or Commercial Hotels

At every tourist destination one comes across hotels which do not come into any classified criteria. These hotels mainly depend upon individual travellers, middle budget tourists and many of the guests are repeat guests:

These hotels are located near the business or commercial centres of the city and have easy access to transportation. They provide accommodation, parking space for guests and their visitors, restaurants and sometimes business centre facilities as well.

Size of such a hotel varies from small to medium. The rooms of these hotels are priced lower than International hotels.

#### iii) Residential Hotels

These hotels can be described as an apartment house complete with hotel services. They are also referred to as apartment hotels. These hotels are largely located in big cities and they mostly operate under the European Plans where no meals are provided to the guests. Though in United States, room service along with maid and valet services are provided to the wealthy guests in the luxurious residential hotels.

The concept of residential hotels started in America where people found that permanent living in hotel offers many advantages. These are very popular in United States and Europe.

#### iv) Floating Hotels

As the name suggests, these hotels are located on the surface of the water. It may be on seawater or river water or even on a lake. These hotels provide all the facilities and services of a hotel and are very popular with the tourists. In many cases, across the world old ships have been converted into these types of hotels and have become popular among the tourists.

The size and price depend upon the hotels. Sometimes they are part of a hotel chain or they can be owned by individuals as in case of the houseboats in Kashmir.

#### v) Capsule Hotels

Capsule hotel is the latest innovation in the budget hotel market. The first of its kind was opened in Osaka, Japan in the year 1979. Now, they have mushroomed not only in big cities of Japan but also in other parts of the world.

The capsule is a box made of glass reinforced plastic or cement, open either at one side or one end in which they provide some functions of a traditional hotel such as a bed, a clock, radio, colour TV, flexible lighting, a box for valuables and a miniature table for writing. Rooms in a capsule hotel are lined up in a double decker fashion along with a central aisle as in a sleeping compartment of a train. Toilets and washrooms, vending machines and lounge area are close by on each floor of the hotel. The function of each capsule is monitored by a central computer system and security is controlled by close circuit TV cameras. They mainly cater to the business travellers. The low tariff and vintage locations are the major factors for their popularity.

#### vi) Transit Transient Hotels

As the name suggests their location are in close proximity of the airports, catering to guests who stay for a limited period of time from few hours to a few days. This category may include any type of hotel providing temporary accommodation to its guests.

#### vii) Heritage Hotels

Old properties of the royal and aristocratic families are renovated and the old aura is recreated for the tourists to stay in heritage surroundings. The heritage properties are an attraction in themselves and the best example would be the state of Rajasthan and Gujarat in India, which have made huge profits by using the concept of heritage.

Paradors in Spain and Posadas in Portugal are castles and other historic buildings that have been converted into hotels by the government. They cater primarily to vacationers, offer full meal plans and are reasonably priced. More luxurious castle accommodations are available in France (Chateaux) and in Germany and Austria (Schlosse). These heritage properties render a valuable and memorable experience to their guests when they serve them as nobles or members of royal family.

### 2) MOTELS

The basic difference between hotel and motel is that it provides parking space to the travellers travelling by automobiles and the rooms opens to the parking lot. The history of motels can be traced back to tourist cabins which were located near highway, catering to businessmen travelling by road. Tourist cabins gave way to Tourist Courts which provided the same services and facilities but it became a 24 hours business. They offered 20 to 24 rooms around a central parking space with some garage and refuelling facilities.

The concept of motels became very popular in America as the automobile travelling increased. Over the time many motels started adding a lot of extra amenities such as swimming pool, restaurant, business centre and in-room television became standard features. And thus, these motels also started attracting vacationers as well.

### 3) RESORTS

A resort hotel is one which is visited by holiday maker or tourists for relaxation, recreation and/or for entertainment.

Resort hotels cater to tourists and are located near place of some scenic beauty, i.e., the sea, mountains or in 'off the beaten track destination'. These days, resorts are also found in wildlife sanctuaries or national parks.

The primary reason, as is mentioned earlier, for visiting a resort is rest and relaxation and these hotels are built with the objective of indoor recreation activities giving visitors special welcome and atmosphere of informality.

The services and amenities offered by resorts include swimming pool, tennis court, skiing, boating, surfing and many others. The clientele of resort hotels is mostly persons with considerable income looking for relaxation and recreation.

Resorts can be of various types and can be classified on the basis of climate and topography. Broadly, they fall in the following categories:

- i) Summer Resorts,
- ii) Winter Resorts,
- iii) All Seasons Resorts,
- iv) Hill Resorts, and
- v) Health Resorts.

A majority of the resorts are seasonal establishments and provide special facilities and other concessions to the guests with a view to extend their seasons of operations.

#### 4) TIMESHARE APARTMENTS/CONDOMINIUMS

Concept of timeshare, is also popular as vacation ownership or holiday ownership, offers the purchaser the right to enjoy, for a set period or interval, each year, vacation time in an apartment or other type of lodging that is a part of a tourist complex, equipped with a variety of services and facilities. In other words, it is effectively the advance purchase of time in holiday accommodation. The period of time sold is usually based on modules of a week, fortnight or a month.

Across the world people enjoy the value of timeshare. Timeshare concept grew into a major phenomenon and large number of people started using it only in 1980s and 90s. Origin of this concept can be traced back to 1960s. Since then it has become a global product. Consumers have option of more than 4000 timeshare resort projects being consumed by nearly 3.1 million purchasers worldwide. This impressive growth is largely due to value of this product and its market appeal which doesn't recognise any geographical boundary, age or social status. Above all, it provides flexibility and variety to the holiday experience and choice for purchasers to choose from world's most exciting holiday destinations at a very reasonable price.

It is believed that more attention will be placed on recreation and personal renewal, on cultural and educational stimulation, and on a sense of balance of life that not only purchasers will simply leisure but also need in its basic sense. Why and how this will happen. To answer this question we can refer to report of a recent US survey of more than 2000 timeshare owners entitled - "Timeshare Ownership Benefits", conducted by Ragataz Association, following results were recorded:

- i) 82% believe that timeshare has had a positive impact on their vacation planning;
- ii) 73% enjoy vacations more as timeshare owners;
- iii) 70% agree timeshare has allowed them to stay in higher quality accommodation;
- iv) 68% have developed a greater sense of confidence that they can travel and vacation without worries as a result of owning timeshare; and
- v) 65% find they have more opportunity to spend quality family time together during vacation.

(Source: Timeshare: The new Force in Tourism, An Affiliate Member Publication of the World Tourism Organisation; pp IX; 1996)

The growth of timeshare at an annual rate is of over 15%. Since the 1980s it can be compared with that of travel and tourism overall (4%) and hotel accommodation (2%) in the same period. However, timeshare in the context of world tourism is still a relatively insignificant part and can be seen from the following broad comparison:

Estimate of Timeshare Related Tourism as Percentage of Total Related

Timeshare owning households worldwide (m)	Average family size	No. of intervals owned per family	Estimated no. of timeshare related trips (m)	Total no. of vacation trips inc. domestic	Timeshare related as % total
3.14	3.6	1.5	17	5,000	0.35

Figures assume that all intervals are of one week and that timeshare owners take holiday trips one week at a time.  
(Source: US Survey entitled "Timeshare Ownership: Benefits", conducted by Rayataz Association, on behalf of WTO.)

Let us now discuss the various managerial functions associated with the running of a hospitality organisation in the organised sector of tourist accommodation.

### 11.3 POLICY FORMULATION AND STRATEGIES

Hotel policies primarily decide the direction for the operational aspects of a hotel. Usually, the type of ownership plays an important role in the formulation of the hotel policies. The type of ownership can be:

- i) **Individual:** This means the owner is completely independent with regard to policy formulation and operating procedures.
- ii) **Chain Ownership:** A chain owns the hotels, formulates policies for them and staffs it with its own employees.
- iii) **Lease and Joint Venture:** An individual or a chain can operate a hotel without owning it by entering into a lease arrangement. Here a fixed monthly rent is given to the landlord or a profit sharing is agreed upon.  
In joint ventures, two companies or two individuals or a company and an individual form a partnership and start a hotel with profit sharing policy.
- iv) **Franchisee:** Under a franchise scheme, a hotel owner contracts with an established chain to operate the property under the chain name. The owner of the hotel or franchisee pays an initial development fee and a monthly licence or franchise fee.
- v) **Management Contracts:** Under a management contract one company owns the property and another (the chain) operates it.

The principles and policies of the hotel are thus formulated keeping in mind the type of ownership of the hotel. According to S. Medlik,

- a) A customer policy normally says what the hotel is aiming to do in terms of its markets and quality standards of what it provides, includes its concept of good value and its approach to price, discounts and credit; it states its attitude to complaints and refunds.
- b) An employment or personnel policy covers such matters as recruitment, selection and training; remuneration, conditions of employment, welfare; promotion, retirement, termination; consultation, negotiation and the handling of disputes.
- c) A shareholder policy defines what the owners are entitled to expect in terms of their rewards, information and participation in the business and what is expected from them.
- d) A policy towards suppliers postulates what is expected from them regarding the quality of supplies, delivery and terms, and how each can expect to be treated by the hotel.

On the second level policies dealing with the guidelines of discharging functional responsibilities of the hotel like financial management, marketing and sales and purchasing are decided.

On the third level, policies relating to the hotel product like food and beverages and accommodation are decided. Usually a few policies are set and guidelines are decided in relation to them. These are forwarded to the respective departments so that departmental operational policies can be formulated.

Once the policies are formulated, it is necessary to get them written down and be communicated to all the concerned departments and personnel. The hotel policies can be viewed as the objective of the hotel. But to attain these objectives certain plans need to be followed strategies are these plans. According to Michael Olsen, an organisation's strategy can be formulated in variety of ways:

- a) **Environmental analysis:** an assessment of the organisation's specific competitive environment, as well as the activities taking place in the more general environment affecting all businesses in an industry. The purpose of this process is to identify the threats and opportunities that present themselves to the organisation over the planning horizon under consideration.
- b) **Analysis of the organisation's strengths and weaknesses:** a thorough analysis of the internal resources (such as human, capital and material) of the organisation for the purpose of determining where the organisation does well and what problems it needs to address.
- c) **Strategic gap analysis:** a review of the organisation's strengths and weaknesses in the context of the threats and opportunities presented by the general and task environment.
- d) **Mission statement development:** the preparation of a statement defining what is the present position of the organisation and where it intends to reach? The mission statement identifies the target audience for which the organisation will provide goods and services and clarifies how these will be provided and the standards by which they will be judged. This statement is the result of the analysis of the organisation's environment, its strengths and weaknesses, and the strategic gap.
- e) **Strategic alternatives analysis:** the identification of the types of possible strategies that can be used to achieve the mission of the organisation.
- f) **Evaluation and selection of strategy:** a thorough evaluation of the possible strategies available to the organisation and the selection of the one(s) that will best fit its needs.
- g) **Monitoring and follow-up:** the establishment of expectations and standards to control the process of strategy implementation and to determine the effectiveness of the chosen strategy.

A lot many classification schemes on strategic management are there but only a few are appropriate in regard to the hospitality industry. One such classification is by Schaffer who postulates the following strategy types:

- a) **Do-it-all differentiators:** attempts to build an excellent reputation within the industry; attempts to be an innovator in service processes; continuously look for new market opportunities; and seeks high quality of services.
- b) **Internalised resource conserver:** strives to develop and refine existing products and services, aims to procure as much as possible in the raw material state.
- c) **Narrow focussed marketing innovator:** has a narrow product focus, engages in environmental scanning activities.
- d) **Efficiency/quality controller:** relies upon experienced and trained personnel to provide quality service.
- e) **Geographic focussed price leader:** seeks stability in operating environments, develops conservative capital structure policy; interested in price leadership, serves only specific geographic markets.

Similarly, West and Olsen's definition of strategy types can also be used in regard to hospitality industry. It consists of the following categories:

- a) **Innovation and development:** places major emphasis on innovation in menu design; develops new products and services; serving a specialised market and emphasising efficiency.
- b) **Focus:** emphasises services to a specialised market; strongly oriented towards efficiency and differentiation.

- e) **Image management:** emphasises the use of advertising and innovative marketing promotions to achieve market share.
- d) **No strategy:** seeks to be everything to everybody with no strong orientation towards any area.
- e) **Differentiation:** emphasises the offering of a unique product or service to a specialised market that is insensitive to price, strongly oriented towards the control of operations and market area.
- f) **Control:** attempts to exert strong control over operations; an internally oriented organisation.

According to **M. Olsen** the four major components of the implementation process are:

- a) Successfully performing the recurring administrative tasks associated with strategy implementation.
- b) Creating a fit between the organisation's internal processes and the requirements of a strategy.
- c) Making adjustments for the organisation's overall situation in which implementation must take place.
- d) Choosing how to lead the implementation task.

It is important to note here that to implement a strategy, the organisation must have in place systems designed to match the resources of the organisation with the chosen strategy. Also leadership is an important ingredient in the successful implementation of the strategy.

## **11.4 FINANCIAL MANAGEMENT**

Financial management describes the process through which a firm makes financial decisions within the framework of the firm's goals by interpreting and analysing financial data. Financial management is a functional responsibility which is required to discharge other functions of the hotel. Without financial management operational functions cannot take place.

It is primarily with concerned with two aspects – raising funds and managing funds within the organisation with the help of budgetary control.

Funds or capital refers to all of the company's liabilities and owners' equity, including short term and long-term capital, preferred stock, common stock and retained earnings. Short-term debts refer to all debts due within a year. Long-term capital debts are funds payable beyond one year. Bonds are another widely known form of long-term debts. The other type of long-term capital is equity funds provided by investors who are interested in owning a portion of the business. Once funds are raised they are allocated by budget.

### **Types of Budget**

According to **Raymond S. Schmidgall**, budgets can be classified as:

- 1) **Capital Budget:** The focus is on the acquisition of property and equipment. The capital budget includes the list of property and equipment to be obtained over the next several years.
- 2) **Cash Budget:** Its focus is to monitor cash flows. Cash budget simply reflects expected cash receipts and cash disbursements for a period of time.
- 3) **Operational Budget:** It reflects forecasted revenues and expected expenses for the hospitality business for a period of time. When an organisation "exceeds the budget", it is almost always the operational budget. The targeted profit is reflected in the operations budget; thus operations budget gets a lot of attention.

According to **R.S. Schmidgall**, major benefits of an operations budget are:

- a) The budget provides a clearly understood plan for management to follow. It includes targeted prices to be charged, labour rates and expected hours, amounts to be spent on marketing and so on. The plan can be easily followed by managers, even those who join the hospitality enterprise in the middle of the year, when it is reduced to writing and clearly communicated.



- b) The budget process requires that managers be involved with its preparation in order to consider alternative courses of action. They must answer a multitude of questions, such as What prices should be charged? What services should be provided? What level of quality of these services should be provided? When the operations budget is adopted, management has decided on what it believes is the best of the many alternative plans.
- c) Budgeting requires management to examine just what measures are required to generate the desired results – most often a net profit. Certainly managers are dealing with the unknown since the budget pertains to the future; however, they are faced with keeping projected expenses lower than forecasted sales.
- d) Budgeting provides a standard of comparison, i.e., the budget is the basis for comparing the actual results of the accounting period. Any major differences should be carefully analysed to determine the cause and appropriate action taken to correct the problem.
- e) Budgeting allows management to look forward and prepare for the future. For example, if new equipment is required for a new menu item, then the equipment should be obtained in plenty of time to have it functioning properly when needed.
- f) When participative budgeting is used, i.e., when those managers who are to be held responsible are involved in the budget process, then these managers feel they have ownership of their budgets and as a result they will be more motivated to expend energy to achieve their plans. Budgeted numbers forced on managers quite often results in managers blaming the budget preparers for poor budgeting rather than accepting responsibility.
- g) Finally, the budget process provides a channel of communication whereby the firm's objectives in numbers are communicated to all management levels. Further, as time passes the actual results are compared to the budget, both of which are furnished periodically to managers who are responsible for the actual results.

The following stages would be useful while preparing a budget for the hotel:

- 1) **Establishing Financial Objectives** wherein the board of directors of the hospitality organisation decide upon the firm's financial objectives.
- 2) **Forecasting Revenue** wherein revenue generating operation such as rooms and food and beverage department's revenue is forecasted based on past records and future plans.
- 3) **Estimating Expenses** wherein the expense to be incurred by the various department like food and beverages as well as marketing and others are estimated.
- 4) **Determining Net Income** where the expected net income for the year is determined.
- 5) **Reviewing and Approving the Budget**, it is now that the whole executive reviews the budgets and then forwards it to board of directors for approval.

Once the budget is approved, operational budgetary control methods need to be followed for proper financial management by each department.

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## 11.5 PRODUCT DESIGN

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While managing hospitality operations in organised sector you must have complete knowledge of product(s) combinations you may design for different market segments. For example, for up-market you can design deluxe hotels and for budget class tourist you can even design motels, guesthouse accommodation, camping sites or even bed and breakfast units. For religious tourists you can think of yatrikas, dharmshalas or sarais in their revised forms while retaining some of their traditional elements. In this Section we aim to familiarise you with some of the guidelines which will be useful for you while designing these products. **Table 1** displays requirements related to personalised minimum carpet area for different classes of hotels:

**Table 1: Minimum Carpet Area Required for Different Classes of Hotels**

Sl. No.	Type of Hotel	Star U.	Single Room (in Sq. ft.)	Double Room (in Sq. ft.)	Attached Bathroom (in Sq. ft.)
1	City Hotel	5-Star Deluxe	180	200	45
		5-Star	180	200	45
		4-Star	120	140	36
		3-Star	AC and Non-AC	AC and Non-AC	
		2-Star	100	120	30
		1-Star	AC and Non-AC	AC and Non-AC	
2	Resort Hotel	5-Star	180	200	45
		4-Star	120	140	36

(Source: "Indian Tourism Business - A Legal Perspective" by Dr. Manohar Sajnanl)

Various services/facilities of different classes of hotels required to provide for their guests are as below (Source: "Indian Tourism Business - A Legal Perspective" by Dr. Manohar Sajnanl):

### FIVE STAR CATEGORY

#### a) General Features

The facade, architectural features and general construction of the hotel building should have the distinctive qualities of a luxury hotel in this category. The locality, including the immediate approach and environs should be suitable for a luxury hotel of this category, and there should be adequate parking space for cars. The hotel should have at least 25 lettable bedrooms, all with attached bathrooms with long baths or the most modern shower chambers. All public rooms and private rooms should be fully air-conditioned and should be well-equipped with superior quality carpets, curtains, furniture, fittings, etc. in good taste. It would be advisable to employ the services of professionally qualified and experienced interior designers of repute for this purpose. There should be an adequate number of efficient lifts in the building of more than two stories (including the ground floor) with 24-hour services. There should be a well-designed and properly equipped swimming pool. There should be a well-appointed lobby and ladies and gentlemen cloakroom equipped with fittings and furniture of the highest standards.

#### b) Facilities

There should be a reception, cash and information counter attended by highly qualified trained and experienced personnel and conference facilities in the form of one each or more of the conference rooms and banquet halls, and private dining rooms. There should be a bookstall, a beauty parlour, a barber shop, recognised travel agency, money changing and safe deposit facilities, left luggage room, a florist and a shop for toilet requisites and medicines on the premises. There should be a telephone in each room for the use of guests and visitors and provision for a radio or relayed music in each room. There should be a well-equipped well-furnished and well-maintained dining room/restaurant on the premises and wherever permissible by law, there should be an elegant, well-equipped bar/permit room. The pantry and cold storage should be professionally designed to ensure efficiency of operation and should be well equipped.

#### c) Services

- a. The hotel should offer both international and Indian cuisine and the food, and beverage services should be of the highest standard. There should be professionally qualified, highly trained, experienced, efficient and courteous staff in smart, clean uniforms and the staff coming in contact with guests should be flare and fluent in English and Hindi. The supervisory and senior staff knowing at least one continental language should be rotated on duty at all times. There should be 24-hours service for reception, information and telephones. There should be provision for reliable laundry and dry-cleaning services. Housekeeping at the hotel should be of the highest possible standards and there should be plentiful supply of linen, blankets quality available. Each bedroom should be provided with a good vacuum jug/thermos-flask with ice cold, boiled drinking water except where centrally chilled purified drinking water is provided. There should be special restaurant/dining room where facilities for dancing, orchestra are provided.

## FOUR STAR CATEGORY

### a) General Features

The facade, architectural features and general construction of the building should be distinctive and the locality, including the immediate approach and environs should be suitable for a hotel of this category. There should be adequate parking facilities for cars. The hotel should have at least 25 lettable bedrooms, all with attached bathrooms. At least 50 per cent of the bathrooms must have long baths or the most modern shower chambers, with 24-hours service of hot and cold running water. All public rooms and private rooms should be fully air-conditioned and should be well-furnished with carpets, curtains, furniture, fittings, etc. in good taste. It would be advisable to employ the services of professionally qualified and experienced interior designers of repute for this purpose. There should be an adequate number of efficient lifts in the building of more than two stories (including the ground floor). There should be a well-appointed lobby and ladies and gentlemen's cloakroom equipped with fittings of a standard befitting a hotel of this category.

### b) Facilities

There should be a reception, cash and information counter attended by highly qualified trained and experienced personnel. There should be a bookstall, recognised travel agency, money changing and safe deposit facilities and a left luggage room on the premises. There should be a telephone in each room for the use of guests and visitors and provision for a radio or relayed music in each room. There should be a well-equipped, well-furnished and well-maintained dining room/restaurant on the premises and wherever permissible by law, there should be an elegant, well-equipped bar/permit room. The kitchen, pantry and cold storage should be professionally designed to ensure efficiency of operation and should be well equipped.

### c) Services

The hotel should offer both international and Indian cuisine and the food, and beverage services should be of the highest standard. There should be professionally qualified, highly trained, experienced, efficient and courteous staff in smart, clean uniforms and the staff coming in contact with guests should be fluent and fluent in English. It will be desirable for some of the staff to possess knowledge of a foreign language and staff knowing at least one continental language should be rotated on duty at all times. There should be provision for reliable laundry and dry-cleaning services. Housekeeping at the hotel should be of the highest possible standard and there should be plentiful supply of linen, blankets, towels, etc., which should be of the highest quality available. Each bedroom should be provided with a good vacuum jug/flask with ice cold, boiled drinking water. There should be special restaurant/dining room where facilities for dancing, orchestra are provided.

## THREE STAR CATEGORY

### a) General Features

The architectural features and general construction of the hotel building should be of a very good standard and the locality, including the immediate approach and environs should be suitable for a very good hotel and there should be adequate parking space for cars. The hotel should have at least 20 lettable bedrooms, all with attached bathrooms having bath tubs and/or showers which should be modern in design and equipped with fittings of a good standard, with hot and cold running water. At least 50 per cent of the rooms should be air-conditioned and the furniture and furnishings such as carpets, curtains, etc. should be of a very good standard and design. There should be adequate number of lifts in buildings with more than two stories (including the ground floor). There should be a well-appointed lounge and a separate ladies and gentlemen's cloakroom equipped with fittings of a good standard.

### b) Facilities

There should be a reception and information counter attended by qualified and experienced staff, and a bookstall, a recognised travel agency, money changing and safe deposit facilities on the premises. There should be a telephone in each room (except in seasonal hotels where there should

be a call bell in each room and telephone on each floor for the use of hotel guests) and a telephone for the use of guests and visitors to the hotel. There should be a well-equipped and well-maintained air-conditioned dining room/restaurant and wherever permissible by law, there should be a bar/permit room. The kitchen, pantry and cold storage should be clean and organised for orderliness and efficiency.

c) **Services**

The hotel should offer good quality cuisine both Indian as well as continental and food and beverage services should be of good standard. There should be qualified, trained, experienced, efficient and courteous staff in smart, clean uniforms and the supervisory staff coming in contact with guests should understand English. There should be provision for laundry and dry-cleaning services. Housekeeping at the hotel should be of very good standard and there should be adequate supply of linen, blankets, towels, etc., of good quality. Similarly, cutlery, crockery and glassware should be of a good quality. Each bedroom should be provided with a good vacuum jug/thermos-flask with ice cold, boiled drinking water. The hotel should provide orchestra and ballroom facilities and should attempt to present specially choreographed Indian cabaret.

**TWO STAR CATEGORY**

a) **General Features**

The building should be well constructed and the locality and environs including the immediate approach should be suitable for a hotel. The hotel should have at least 10 lettable bedrooms of which at least 75 per cent should have attached bathrooms with showers and a bathroom for every four remaining rooms. All bathrooms should have modern sanitation with running cold water and adequate supply of hot water, soap and toilet paper. At least 25 per cent of the rooms should be air-conditioned and all rooms should be properly ventilated, clean and comfortable with all necessary items of the furniture. There should be well-furnished tongs.

b) **Facilities**

There should be a reception counter with a telephone. There should be a telephone or a call bell in each room and a telephone on each floor unless each room has a separate telephone. There should be a well equipped and well-maintained dining room/restaurant serving good, clean wholesome food, there should be a clean, hygienic and well-equipped kitchen and pantry.

c) **Services**

There should be experienced, efficient and courteous staff in smart and clean uniforms. The supervisory staff coming in contact with guests should understand English. There should be provision for laundry and dry-cleaning services. Housekeeping at the hotel should be of a good standard and clean and good quality linen blankets, towels, etc., should be provided. Similarly, cutlery, crockery and glassware should be of a good quality.

**ONE STAR CATEGORY**

a) **General Features**

The general construction of the building should be good and the locality and environs including the immediate approach should be suitable. The hotel should have at least 10 lettable bedrooms of which at least 25 per cent of the bathrooms should have western style WCs. All bathrooms should have modern sanitation with running cold water and adequate supply of hot water, soap and toilet paper. The rooms should be properly ventilated, and should have clean and comfortable bed and furniture.

b) **Facilities**

There should be a reception counter with a telephone and a separate telephone for the use of guest and visitors. There should be a clean and moderately well equipped dining room/restaurant serving clean wholesome food, there should be a clean and well-equipped kitchen and pantry.

### c) Services

There should be experienced, courteous and efficient staff in smart and clean uniforms and the senior staff coming in contact with guests should possess a working knowledge of English. Housekeeping at the hotel should be of a good standard and clean and good quality linen, blankets, towels, etc., should be supplied. Similarly, crockery, cutlery and glassware should be of a good quality.

Table 2 outlines the fees slabs every product designer is required to pay for getting one's hotel classified by Department of Tourism, Govt. of India.

Table 2: Classification Fees for Hotels

1 Star	Rs. 2,000.00
2 Star	Rs. 3,000.00
3 Star	Rs. 4,000.00
4 Star	Rs. 6,000.00
5 Star	Rs. 8,000.00
5 Star Deluxe	Rs. 10,000.00

(Source: "Indian Tourism Business - A Legal Perspective" by Dr. Munohar Sanjani)

In short, when you decide to design your hospitality product, you must ensure that you don't fall short of any of these guidelines for smooth launch and operation of your product. Moreover, while marketing your products such a classification or grading will facilitate your task a lot. Marketing techniques or strategies are discussed in subsequent Sections of this Unit.

## 11.6 MARKETING MANAGEMENT

To run a hospitality organisation successfully, effective marketing of the product is necessary. Marketing management is defined as the planning, organising, leading and controlling of marketing activities. An understanding of the hospitality marketing mix is necessary for the successful marketing management.

Marketing theorists in the hospitality industry have attempted to modify the way in which the marketing mix is viewed in order to make it more specific for the hospitality marketer. Renaghan (1981) suggested that the hospitality marketing mix is made up of three sub-mixes:

- the product services mix, which is defined as a combination of products (tangibles) and services (intangibles);
- the presentation mix, which includes all of those activities that a firm uses "to increase the tangibility of the product-service mix in the perception of the target market at the right place and time"; and
- the communications mix, which is basically the totality of communications between the firm and its target market.

To these three sub-mixes, Lewis and Chambers (1989) added the distribution mix, which they define as "all channels available between the firm and the target market that increase the probability of getting the customer to the product". This definition of distribution is different than the definition for tangible products. In marketing tangible products we are concerned with getting the product to the customers in their own homes. For most hospitality products we are more concerned with how to get customers to the hotel or restaurant so that they can consume our services.

Here comes the marketing department of the hotel. A typical organisation chart for the marketing effort of a large convention hotel is given in Figure I.

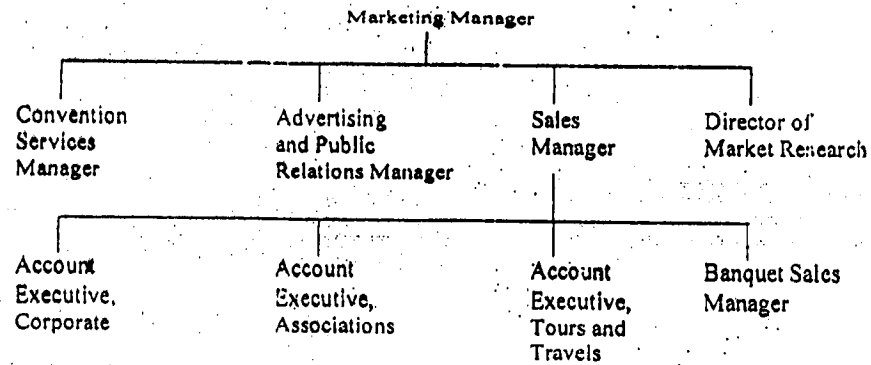


Figure 1: Typical Organisation Chart for the Marketing Effort of a Large Convention Hotel.

The job for the marketing department becomes a little tough since here the production and consumption of product takes place simultaneously. Also the intangibility factor of the product creates unique problems. Therefore, before using the marketing mix – market research and selection of target market is necessary. Only then marketing mix comes into action.

First, Hospitality Product Mix is decided where good and services are both integral part of the services. So F and B means both the food as well as the services of the people concerned.

Hospitality Communication Mix or promotion consists of all the activities a hospitality firm uses to reach its target consumers. At least three books list a wide variety of techniques available for hospitality industry communications (Source: Coffman, 1975; Gottlieb, 1982; Powers, 1990).

Hospitality Pricing Mix depends on the demand as the room rate for a similar kind of room at different location vary as there is a lack of demand. Second is competition which can be either indirect as the various options available to the traveller or direct, i.e., from the various hotels of similar standard vying for the same target market. Third is the cost.

- a) The inherent fixed costs associated with “being” in business, i.e., those costs that remain the same regardless of business volume (depreciation, administrative salaries and so forth).
- b) The variable costs associated with “doing” business, i.e., those costs that vary with business volume (materials, direct labour and so forth).

The market positioning is, in other words, customer perception. The rate would be too high or low to customer depending upon how they perceive the product. The menu pricing, however, take various other methods of setting menu prices.

Finally, Hospitality Distribution Mix entails the use of various channels of distribution. The marketing department has to ascertain which channel to use.

## 11.7 SAFETY AND SECURITY

Safety and security nowadays are a top priority concern of hospitality industry. These programmes require management support and constant supervision.

Safety standards and requirements should be maintained like fire escape, etc. The safety occurs in spite of supervision or not at all. Cutting corners on issues of safety should not be overlooked. Also the work order may have an overprint Hazard Alert to implement a quick response from repair and maintenance services.

The security measures involve the protection of both the life and the property of the guest, the staff and the hotel itself. Security measures should also take care of the fact that inappropriate or unreasonable activity should not take place in the hotel premises. Often the security organisations of the hotel are private organisation which takes their cue from the executive and general policies

established for the hotel itself. One of the primary functions is to assess the possible risks and prepare plans to handle such emergencies. Also proper disaster control and emergency action plans are a part of the security measure.

## **11.8 ORGANISATION OF A HOTEL**

According to David W. Howell, the organisational structure of a hotel comprises of six major departments.

- a) **Administration:** Every hotel needs a manager, assistant manager, and a group of people to handle the business aspects of the hotel's operations. The people who work in the administration department include book-keepers and other financial staff, and purchasing, sales, and marketing personnel. An important function of the administration department is to interview and select the hotel's employees.
- b) **Front Office:** The front office is the most visible department in all hotels and motels. Employees are in direct contact with the public, handling reservations, room assignments, mail, and baggage, and providing information about activities in the hotel and surrounding area. A well-organised front office is essential to the smooth running of any lodging place.
- c) **Housekeeping:** Guest comfort is a total priority. Most hotels employ a large housekeeping (or rooms) department staff to ensure the cleanliness and neat appearance of guest rooms and public areas.
- d) **Food and Beverages:** If hotels have restaurants, banquet rooms, and cocktail lounges, the preparation and serving of food and beverages will be a major part of the hotel's operations. More than half of the total hotel staff can be employed in this department.
- e) **Engineering:** The engineering staff has little or no contact with guests, but they play an important role in the day-to-day running of the hotel. It is the engineering staff's responsibility to maintain and repair all mechanical and electrical equipment in the hotel.
- f) **Security:** Few hotels felt the need to employ security staff until recent years, but for many large hotels (particularly in downtown areas) a security department is now essential. Security personnel work not only to protect hotel guests and their property, but also to protect hotel property.

You will read in details about the functional and managerial aspects of the three profit generating departments with maximum guest contact, i.e., front office, housekeeping and food and beverage management in the subsequent Units.

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## 11.9 LET US SUM UP

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The term "tourist accommodation" is used in both organised and unorganised sector. Organised sector though comprises a small number of hotel rooms, plays crucial role in establishing image of a destination either favourable or unfavourable. This sector consists of hotels and other supplementary form of recognised mode of accommodation this may include resorts, timeshare apartments, condominium which by and large are part of multinationals, operating from different countries. Hotels can be, however, classified into different categories on the basis of their location, style of functioning, season of operation and on the basis of many more criteria for your understanding.

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## 11.10 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer Sec. 11.2.
- 2) Refer Sec. 11.3.
- 3) Refer Sec. 11.4.

### Activities

- 1) Collect information on packages (both domestic and international) from some leading distributors. Try to analyse important consideration while costing different tours for different market segments.
- 2) Try to access various travel websites marketing tourist attraction and other products. How they are different from Indian travel portals? Prepare a suggestion box for improvement.



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## **UNIT 12 MANAGING FRONT OFFICE OPERATIONS**

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### **Structure**

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Front Office Functions
  - 12.2.1 Front-of-the-House Operations
  - 12.2.2 Back-of-the-House Operations
- 12.3 Front Office: Organisational Structure
- 12.4 The Reservation Office
  - 12.4.1 Types of Reservation System
  - 12.4.2 Accepting or Denying Reservation
  - 12.4.3 Generating Reservation Reports
  - 12.4.4 Managing Reservations
- 12.5 Check-in Process
- 12.6 Front Office Accounting
- 12.7 Check-out Process
- 12.8 The Electronic Front Office (EFO)
- 12.9 Let Us Sum Up
- 12.10 Clues to Check Your Progress Answers

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### **12.0 OBJECTIVES**

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After studying this Unit you will be able to explain the:

- Importance of front desk functions in a hotel,
- meaning of front-of-the-house and back-of-the-house operations and their role in the hotel,
- various operations associated with front office, and
- importance of each of the front-desk operations in context to the smooth running of the hotel.

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### **12.1 INTRODUCTION**

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Regardless of the class or type of the hotel, front office is the most visible and essential focal-point of a hotel. The focal point of activity within the front office is the reception desk, which is located in the front lobby of a hotel and dispenses all front-of-the-house activities of the hotel. It is the communication centre of the hotel with great amount of guest contact. Guests interact with the hotel for the first time by interacting with the staff of the front office, and they form the first impression about the hotel based on the efficiency, competency and behaviour of the front office staff.

The reception desk performs the functions like the sale of rooms, guest registration, room assignments, handling of guest requests, maintenance of the guest accounts, cashiering along with handling mail and providing information. The financial tasks usually handled by the front desk personnel include receiving cash payments, handling guest folios, verifying cheques and handling foreign currency and credit cards. In this Unit, you will be familiarised with all these aspects of the front office management.

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### **12.2 FRONT OFFICE FUNCTIONS**

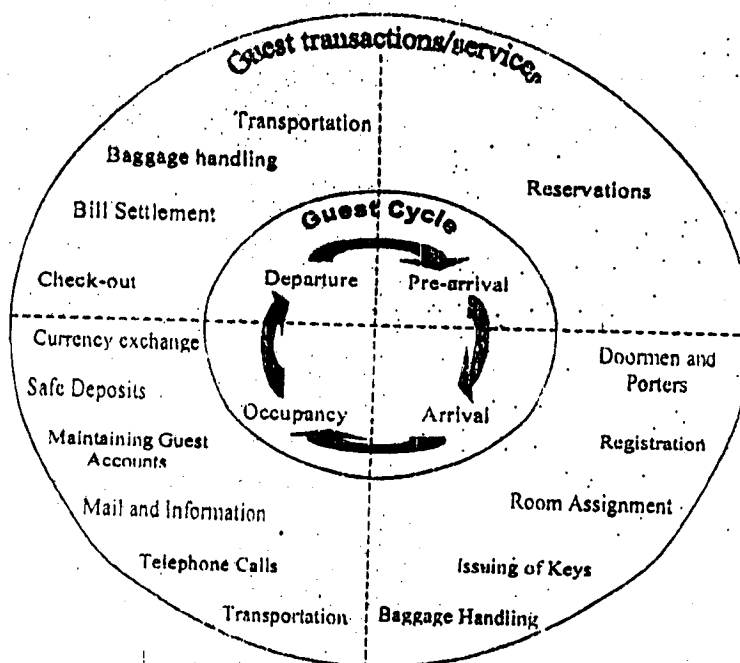
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The primary function of the front office is that of a facilitator between the guest and other departments of the hotel. Another job of Front office desk is also to support and help in providing services to the

guests. The number of interactions and transactions between the guest and the hotel during a guest stay, determine the type and nature of front office operations. The stages of guest stay are:

- pre-arrival,
- arrival,
- occupancy, and
- departure.

Various transactions between the guest and the hotel, therefore, depend upon the stage of the guest stay. The transactions can be best understood by going through the guest cycle.



**Figure 1: The Guest Cycle**

(Source: Principles of Hotel Front Office Operations, Sue Baker, Jeremy Huyton and Pam Bradley)

Figure 1 shows the following transactions and exchange of services between a guest and the hotel:

- reservations,
- check-in and registration,
- mail and information,
- uniformed service and baggage handling,
- telephone calls and messages,
- handling guest accounts, and
- check-out and bill settlement.

All these services and transactions are handled by the front office department. The functions and services of the front office department can be differentiated depending upon the area where they are being performed. Some of the functions are performed by the reception desk as front-of-the-house operations and rest are performed as back-of-the-house operations. Table 1 gives a brief summary of the functions performed by the front office as described by Michael I. Kasavana.

**Table 1: Summary of front office functions.**  
(Source: Michael L. Kasavana, VNR's Encyclopedia)

<b>FUNCTIONS</b>	<b>AREA OF OPERATIONS</b>
<b>1) Sell guest rooms</b> Accept reservations Handle walk-ins Perform the registration process	Front of the house activity
<b>2) Provide information on hotel services</b> Concerning internal hotel operations About external events and locations	Front of the house activity
<b>3) Coordinate guest services</b> Liaison between front and back-of-the-house areas Handle guest problems and complaints	Front of the house activity
<b>4) Chart room status reports</b> Coordinate room sales and housekeeping; occupied status On-change status, out-of-order status	Back of the house activity
<b>5) Maintaining guest accounts</b> Construction of folio and account Posting to folios (updating) Supervision of credit levels Documentation of guest's transactions	Back of the house activity
<b>6) Settlement of guest accounts</b> Preparation of guest statement Reconciliation of folio Perform the checkout procedure	Front of the house activity
<b>7) Construct guest history file</b> Record the guest's personal data for future references	Back of the house activity

### 12.2.1 Front-of-the-House Operations

Front-of-the-House operations are known so because these operations take place in front of the guests. Thus, these operations are related either to direct interaction with the guest or they are being conducted in front of the guest. The front office activities start from the time a guest calls or sends in a request for reservation/ accommodation. Staff of the front office department starts interacting with guest by taking in guest information and reservation request, leading to confirmation of reservation and finally to the handling of guest on arrival and guest check-in.

Check-in activity is a must for both, a guest with reservation or a walk-in-guest, i.e., one without prior reservation. The reservation system of hotels varies but nowadays since it is mostly computerised, therefore, features are the same. Check-in procedures require the collection of a lot of information. This is because information helps in building guest record data and serves the purposes of a ready reckoner in case of any emergency involving the guest. Front office takes in the guest information for future use and provides the guest with information about the hotel and its various services and thus, becomes the connecting link between the guest and the hotel. The pivotal role played by the front office is quite apparent from this very fact that it is the centre of all activities connected with guests in the hotel.

Therefore, decisions regarding the sale of a room to a particular guest, availability and allocation of a room, maintaining guest account by coordinating with the housekeeping and room service are the major front-of-the-house activities. Finally, the account settlement or deciding on the time of account settlement is generally a part of check-out process, performed by front office. Thus in short we can say that front office is the first and last place (as in check-in and check-out), wherein a guest interacts with the hotel.

### 12.2.2 Back-of-the-House Operations

As the name suggests these operations involve the activities which do not take place in front of the guests. The front office activities start the moment an enquiry or request regarding accommodation is made. This enquiry is answered keeping in view converting it into a reservation request. Although reservation is an activity of front office, major hotel lines/chain of hotels have centralised reservation system, operational 24 hours a day 365 days a year. (Reservation and its various intricacies will be discussed in the later sections). A confirmed reservation leads to browsing of information, i.e., guest-record to determine whether this is a repeat guest and if yes what are the personal information and preferences of the guest. This helps you giving personal touch to guest's stay with the hotel.

When the guest checks-in, his or her account gets activated. This account keeps track of the guest's financial interaction with the hotel. These financial interactions involve room rent, room services, laundry, food and beverage at the hotel's outlet and any other facility used by the guest during his or her stay. For instance, these financial transactions begin the moment when he/she while waiting for allocation of a room start making phone calls to his/her associates to inform them the arrival or order for something in the lobby itself. The daily night auditors help the back of the office department in the hotel in maintaining the guest accounts. Many hotels have a credit line extended to their guests or to the companies which they represent. The credit limit is predetermined and the hotel allows the guest to accumulate the amount before asking for either a full or partial payment. Many a times a guest is asked to provide his/her credit card during check-in while cash is expected mode of payment during checkout with multinational brands coming into India the concept of property management system has emerged which allows night auditors to flash guest's folio on day to day basis on their T.V. monitors. This kind of arrangement saves lot of guest's time at the time of checkout.

It also co-ordinates with housekeeping and room sales to maintain the status of occupied as well as unoccupied rooms. Finally, the guest record or personal data is maintained by the front office, which is essentially a back-of-the-house activity. Thus, the Guest cycle which started by taking guest booking, receiving guests, providing for their stay and billing them on departure gets completed.

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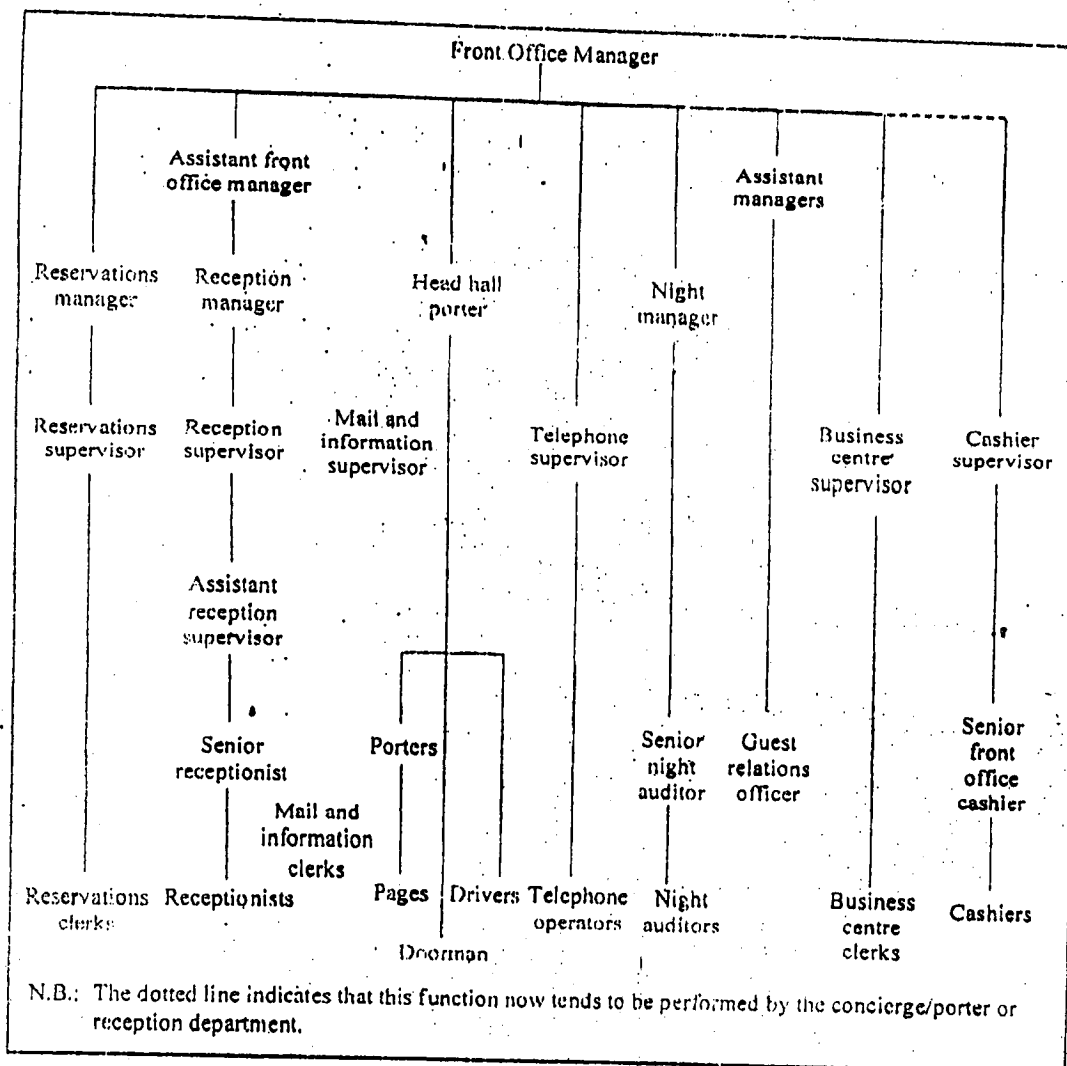
### 12.3 FRONT OFFICE: ORGANISATIONAL STRUCTURE

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The department of the front office performs quite a few functions/operations. It becomes necessary to have a well-defined organisational structure for smooth operations. The organisational structure of the front office depends on many factors (Principles of Hotel Front Office Operations, Sue Baker, et. al.) have described them thus:

- **Size of the Hotel:** Bigger the hotel, the more specialised the staff is required to be. Whereas in the smaller hotels, one employee/staff member may perform a wide variety of duties.
- **Standard of Service:** High-class hotels usually provide more personal services for guests and, therefore, they expect greater specialisation from their staff.
- **Type of Guests:** The needs of Guests usually differ on the basis of their purpose of visit, i.e., business client prefers less time to be spent on checking-in and checking-out, and it is quite possible they won't mind carrying their own luggage. So the emphasis is more on staff in the front desk section than at the concierge.
- **Type of Hotel:** A hotel situated in the airport area knows that a guest may check-in or check-out at any time during the 24 hours of a day. So more emphasis needs to be there on front desk as a full team is needed to be on duty at all times.

Even though the organisational structure of a hotel depends on the above stated factors, typically all the hotels follow somewhat similar organisational structure. Figure II gives the uniform structure of the organisation structure followed by a large hotel.



**Figure 11: Organisational Chart of the Front Office**  
 (Source: Principles of Hotel Front Office Operations, Sue Baker, Jeremy Huyton and Pam Bradley)

This figure makes it clear that the department of front office is divided into many sub-divisions or functional/operational areas. In the figure a broken line joins the front office manager to the cashiering section. This is so, as in large hotels the cashier's department reports directly to the accounts department, with the financial controller taking overall responsibility. Thus, the sketch of the front office department remains the same but it takes different structure depending on the hotel or hotel culture.

## 12.4 THE RESERVATION OFFICE

The term "reservation" used in the context of a hotel, means the booking or reserving of a room (accommodation) by a guest. Reservations lead to reserving of a particular type of room for a particular guest for a given period of time. Reserving a room ensures or guarantees the guest the availability of a room on arrival at the hotel, as reservation is a commitment made by the hotel, when the hotel has accepted the reservation request.

A great deal of importance is attached with the reservation system because it helps in:

- selling the primary product of the hotel, i.e., lodging or accommodation,
- building a good first impression on the prospective client,

- generating customers for the other departments of the hotel, and
- generating and providing information to the other departments of the hotel.

The organisational structure of the front office has already been discussed in Sec.12.3. The reservation clerks takes in the reservation bookings. And they are passed on. The reservation procedure differs from hotel to hotel depending on the reservation system used by the hotel. The process of reservation can be indicated through Figure III:

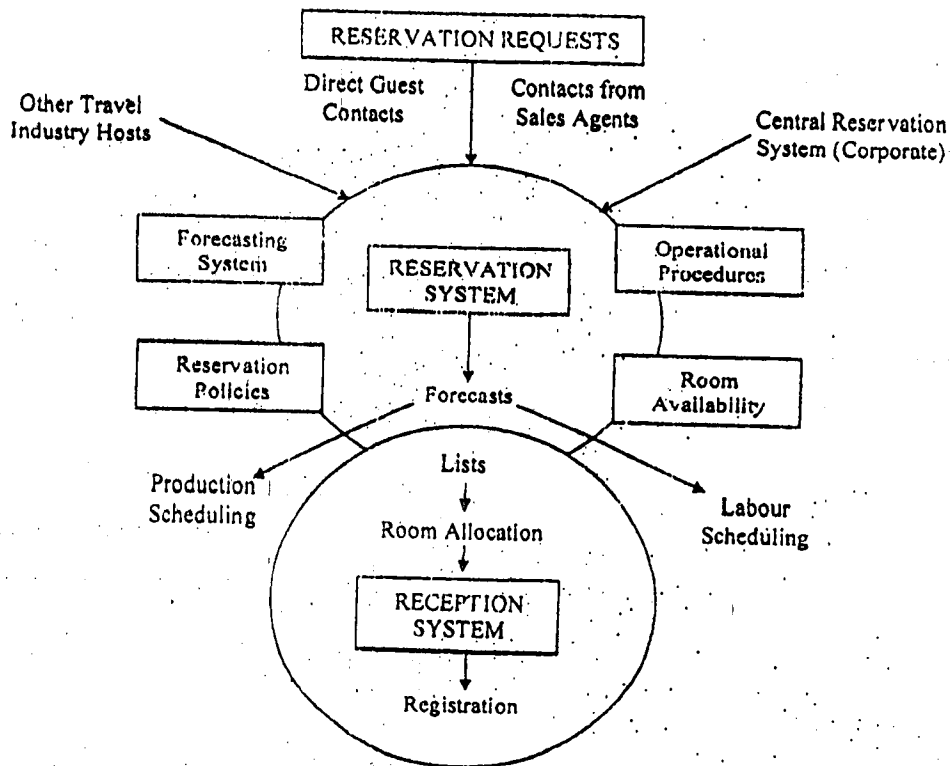


Figure III: Simplified diagram of a reservation system.  
 (Source: Principles of Hotel Front Office Operations, Sue Baker, Jeremy Huyton and Pam Bradley)

It is often said that reservation system is the engine of a lodging property, since everything else operates accordingly. Hotels and motels depend on the reservation system and can go out of business, if the system does not work well.

### 12.4.1 Types of Reservation System

The reservation system comes into action once a request for reservation comes to the hotel. It can be a direct query from the guest, or from a travel agent or tour operator among others sources. An effective and efficient reservation system is essential for maximising a hotel's profitability. Reference has already been made to the reservation systems of a hotel in MTM-4. The type of reservation system depends on the type and size of hotel. Many small hotels and motels use a booking dairy to keep track of reservation and resident guests. The front desk manager can double up as the reservation supervisor and the front desk clerk as reservation clerk. In a very small establishment (as in case of Bed and Breakfast lodges) you may see owners performing the task of reservation supervisor.

The most common manual system used by hotels of any type or size is known as Whitney System, devised by Whitney Paper Corporation of New York in the 1940s. In this system each reservation is recorded on a small, multipart piece of paper mounted in a metal frame, which, in turn, is filled in date and alphabetical order on a metal rack. The slips are usually colour coded to denote the type of guest. Usually there is one rack for every day over say, the next three months, and fewer racks for future

periods Copies of the slip, also on racks, may be sent to other departments such as reception or telephones when the guest arrives. This system gave rise to the expression "rack rate", which is how hoteliers often refer to the price for rooms (Source: Paul R. Gamble, VNRs Encyclopaedia).

Whitney System, though very efficient, generates lots of paperwork. This problem, however, is solved by computerised reservation system. The computerised system can perform all the tasks of Whitney System and organises the guest data more efficiently. The guest's record is maintained in the hard disk of the computer. This not only helps in matching the guest information, but also provides information about the importance of the guest which can be judged from the data available on computer. This kind of information compiled on computer based reservation systems not only provides their credit standing and the reliability of the booking done through the agent but it also makes searching for data very easy.

The large group/chain of hotels have Central Reservation Systems which handle the reservation of the various properties of a single group atoned to centralised reservation office. For example, a hotel may have central reservation number, i.e., 24-7-365- symbolising availability 24 hours a day 7 days a week and 365 days a year. Nowadays, many single hotels have come together to form their own Central Reservation System serving these individually owned establishments. The use of computers in reservations has simplified check-in and checkout process. The hotel does not need much information during these operations as data is fed simultaneously.

Though computerised reservation systems are proved to be of a great help to hoteliers, it is up to a particular hotel to choose and use a system most suitable to their requirements. The most recent and most used way of making reservations accessible at far-flung locations is via internet. In such operations direct bookings and reservations requests can be made over the internet by just a click on the website of the hotels concerned. In some cases the reservation is directly upgraded but mostly the reservation staff reconfirms the request via e-mail or telephone before making official reservations.

#### 12.4.2 Accepting or Denying Reservation

The procedure of accepting a reservation request involves, checking the availability of the requested type of room for the stated period of time as is mentioned in the request. This can be confirmed or checked through the reservation charts, forecast boards or computerised systems. If the room is available the reservation request is accepted or else shall be denied immediately.

The procedure of accepting reservation is not that simple as it appears. This is a crucial decision that the reservation staff needs to make regarding accepting or rejecting it. To make this decision, the staff on duty uses information like the credit standing of the person/agency/company, the type of guest whether VIP/tourist/business traveller, the purpose of visit, length of stay, etc. In case of computerised system the staff would require few minutes to come to a decision, as the required information would be within the reach of pressing the keys. But in case of manual system, the processing for information may take longer time. Of course, denying of reservation to guests means loss of business which means loss of revenue. At times the way a guest has been denied reservation may lead to a permanent loss of business from that particular client. Denying reservation is a decision taken in the following circumstances:

- 1) **If the hotel is booked to its capacity:** In case the hotel is fully booked you cannot help it but can only refuse the reservation politely or gently. In such cases, if possible, alternate hotels in the area can be suggested or a different property of the same group of hotel, if not available, any other hotel of the same level can be suggested.
- 2) **If the requested category of accommodation is not available:** In case the requested type of room is unavailable, you may suggest alternate category of room available and always try to sell upper class rooms which, however, shouldn't seem to be unethical.
- 3) **The guest or agent is backlisted:** At times some guests are backlisted because of their previous record of non-payment or delayed payments of bills. The same holds true for the agents. In such a situation if any doubt or complication crops up it is always advised to ask for the reservation supervisor/manager's help.

Many a times the reception staff overlook to cover contingencies like, guest not turning up even after having confirmed reservation or at times when tour operators make reservations for more than actual number of passengers to get greater discounts on volume. Whether it's the season or not also plays important role in making over-bookings. During the main season reservation staff would not like to take chance with over-booking. However, decisions related to the issues of over-booking, etc. depends upon the reservation policy of the hotel, i.e., the way the management of the hotel wishes to position their hotel in the market will usually determine its reservation policy. The reservation policy of many hotels also speak about of the mode and time of payment. Bulk booking of rooms or the booking of some special rooms or a room for a long period of time, during main season would require some advance payments. The advance payment can either be full or partial room rent, partially or fully refundable or non-refundable at the time of cancellation, all depending upon the reservation policy.

The final job of the reservation section is to send the final list of reservation for a day to the reception desk of the front office along with the essential information like whether the guest is a repeat guest or guest has some particular liking related to the location of the room, décor of the living room, etc. The message is sent from there to the housekeeping so as to prepare rooms according to the guest needs for the day.

### 12.4.3 Generating Reservation Reports

Now as you know that reservation section has a lot of information with them which needs to be properly organised. Once the required data is gathered, guests' folio is created which is updated from time to time. Once this is done they need to generate daily/weekly reports based on this information base. These reports may include:

- 1) **Room Availability Report:** A list showing the number of rooms sold/available. It can be prepared on the daily or weekly basis.
- 2) **Expected Arrivals and Departure Lists:** A list of guests who are due to arrive or to depart on a particular day.
- 3) **Group Status Report:** A list of groups to arrive/depart in the week or month, along with information like the group size, whether a guaranteed or non-guaranteed booking, etc.
- 4) **Special Arrivals List:** A list of special guests or VIPs arriving. This should contain their special request and additional information about the preferences of the guest.
- 5) **Turn Away Report:** A report on number of reservation requests denied and if possible, some information about the one asking for reservation.
- 6) **Revenue Forecast Report:** A report on the projected revenue from the future room sales along with or regular upto date report.

In most of the hotels, the front office manager supervises the final preparation of the report before it is sent to the management team. Additional guest information, related to walk-in-guests also incorporated in the report.

### 12.4.4 Managing Reservations

The major decisions by the management team would be to forecast the requirement of rooms according to the reservation reports. The forecasting can be done for a period varying from over 10 days to several months, since tour groups plan their tour schedules 12-14 months in advance. The forecasting also depends upon the available capacity of the hotel at that point of time. The forecasting is done for short terms keeping in view important functions/festivals or sporting events in the area.

Therefore, the reservation policy formulation is the most important function of management. It focuses upon the selection of the criteria for selection of sales channels, i.e., the hotel should bank upon the travel agents, corporate clients or walk-ins for their reservations. It is sometimes at the discretion of the reservation section to adopt its own policy to run the business successfully. These all factors help in managing the reservations.



## 12.5 CHECK-IN PROCESS

Check-in process is a critical process, since a lot of vital information is exchanged between the guest and the hotel staff during this process; irrespective of the fact whether check-in process is manual or computerised. The manual process starts when a guest either walk-in (without reservation) or one with prior reservation walks into the hotel looking for desired or requested accommodation, i.e., depending upon the availability of room the walk-in guest is assigned room whereas the guest with prior reservation is usually assigned the room for which he has requested.

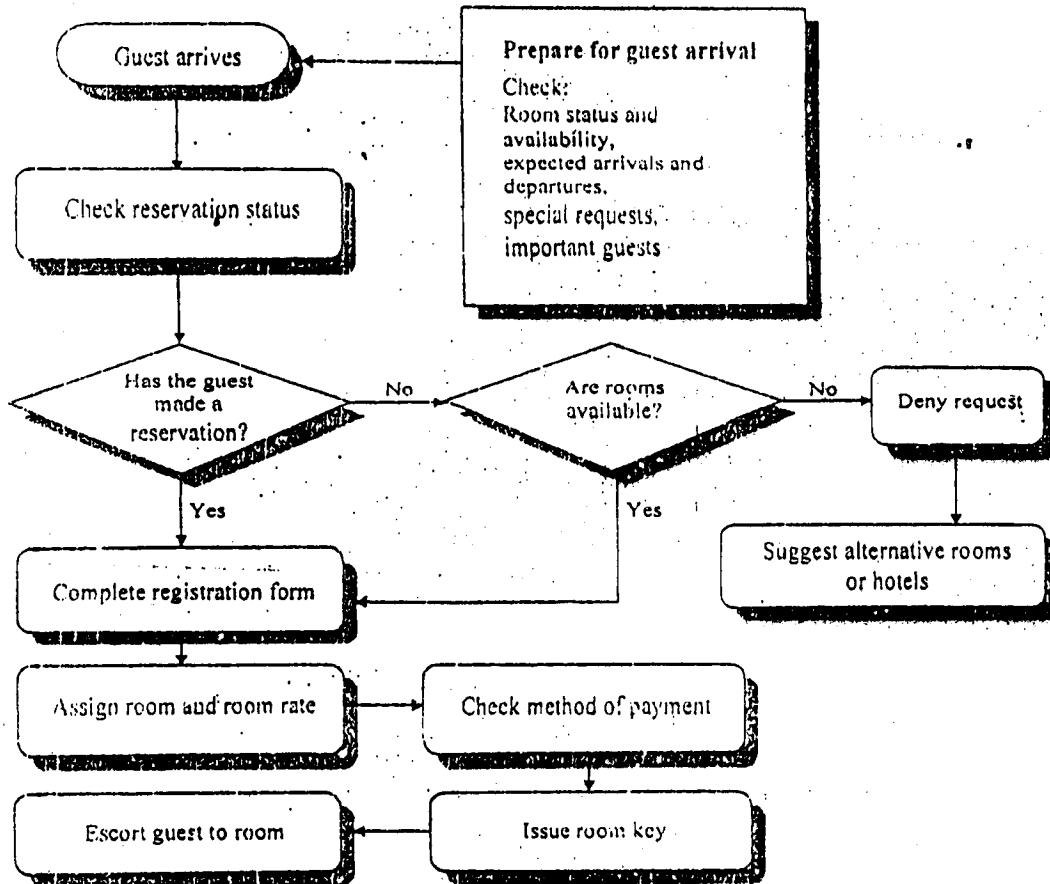


Figure IV: The Check-in Process

(Source: Principles of Hotel Front Office Operations, Sue Baker, Jeremy Huyton and Pam Bradley)

The minimum information you usually require for manual registration is name of the guest, number of persons in the group, the expected length of stay and mode of payment. The room is assigned to the guests and usually a porter or bellboy carries their luggage and show the guests their assigned rooms. The front desk in the meantime processes the information received and generate the guest account for the mentioned period of stay.

However, the process of assigning rooms commences even before the arrival of the guest. After the major check-outs of the day, the front office generates a list/printout regarding number of guests staying with the hotel. Then after comparing the reservation requests for the day with this report, assigns the remaining unoccupied rooms to the walk-in guest. In case of computerised check-in procedure, only the walk-in guests need to provide their personal information whereas guests with reservation need to confirm the information available in the computers of the reception/front desk. Once the guest is allotted assigned room, the computer automatically updates the information and for the desired length of stay, room(s) will be shown as occupied.

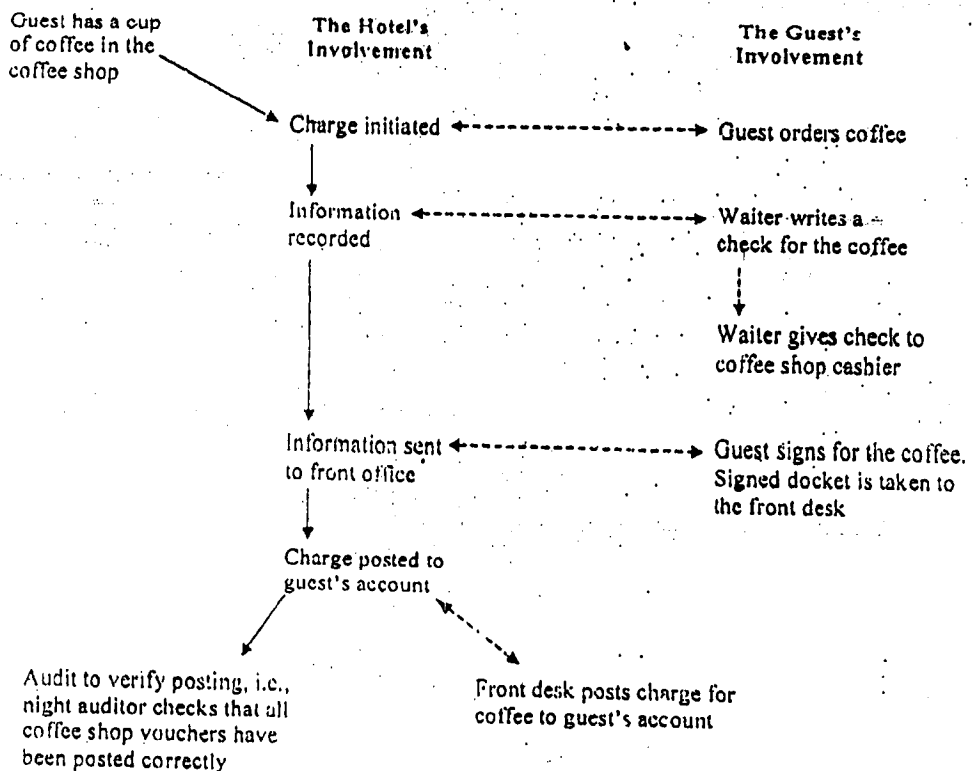
The help of the front office manager is sought rarely, particularly in the case of over-bookings, i.e., when two or more guests arrive for the same room. The manager can either assign another room to the guest or can try to up scale the room type. However, if the hotel is unable to adjust the extra guest special arrangement for the guest at a different hotel of similar standing should be made.

Lately, a guest registration system using Point of System (PoS) to hasten check-in process is gaining popularity. This system enables the guest to register at self-service terminals in the lobby or at self-service terminals at the airport or en-route to the hotel. New innovations have also helped transfer the credit cards to room keys. According to Tom Van Dyke one popular system asks the guest to insert his or her magnetic stripe credit card into a check-in terminal which calls up the property's computerised reservations list filed by arrival date and last name. When the reservations match is found, the room selecting function of the hotel's Property Management System generates a room assignment and prints a check-in form. The guest removes the completed form, signs it and then is directed to the key pick-up area at or near the front desk. He cites the example of the Sheraton Meadowlands in New Jersey which works with Avis Rent-A-Car so that guests picking up cars at any of the New York areas three major airports can simultaneously check-in to a room at the Sheraton.

Whatever may be the method of check-in, the basic idea of check-in is to collect information about the guest and try to keep the operation as simple and convenient as possible while trying to project warmth and friendliness.

## 12.6 FRONT OFFICE ACCOUNTING

All through the day the hotel has many transactions with its resident guests. The transactions pertain to various services that the guest can avail, be it room service or laundry service. On most of the occasion the guest does not make any payments after availing the available service at the hotel and the amount is posted on his/her bill.



**Figure V: The Process of Posting a Charge to a Guest's Account**  
 (Source: Principles of Hotel Front Office Operations, Sue Baker, Jeremy Huyton and Pam Bradley)

The process of posting keeps the guests billing up to date. The process can be performed either manually or by a computer. Once the posting has been done, it is important to recheck whether the correct amount has been posted on the correct guest folio and also to the account of right department. As a supervisor you are required to check these details regularly because guests check in and out daily and the guests' transactions take place regularly. During the day time the front office section is quite busy with a lot of other activities but during night it is comparatively less burdened with work. So this is the night time to match bills and receipts. The staff doing this job is called night auditors. Usually, these night auditors check the posting of bills from other departments but more particularly the credit limit. These credit limits can be that of the hotel or of a credit card or even that of a company's account floor limits. Thus, the accounts of the resident guests are maintained regularly so as to ensure speedy settlement of bills.

## 12.7 CHECK-OUT PROCESS

Check out point is the last contact a guest will have with the property and experience at this point will determine what kind of impression will a guest carry with him/hier. In other words, if it is smooth guest will carry pleasant memories. Thus, to make this point more efficient and error proof, you shall divide it in to three parts:

- a) Guest vacating the room;
- b) Guest settling the bill; and
- c) Guest departing.

Guest vacating the room usually depends upon the hotel's check out time. Usually the check out time is 12 noon. Sometimes depending on the availability of the room and the type of client the check out time can be extended for the guest on special request. Following a routine check out time helps the hotel since the housekeeping can prepare the room for the next guest. Still there are small hotels which provide the guests with flexi-check-out time. In these cases next guest allotted this room has to wait in the lobby because the upkeeping of the room takes time.

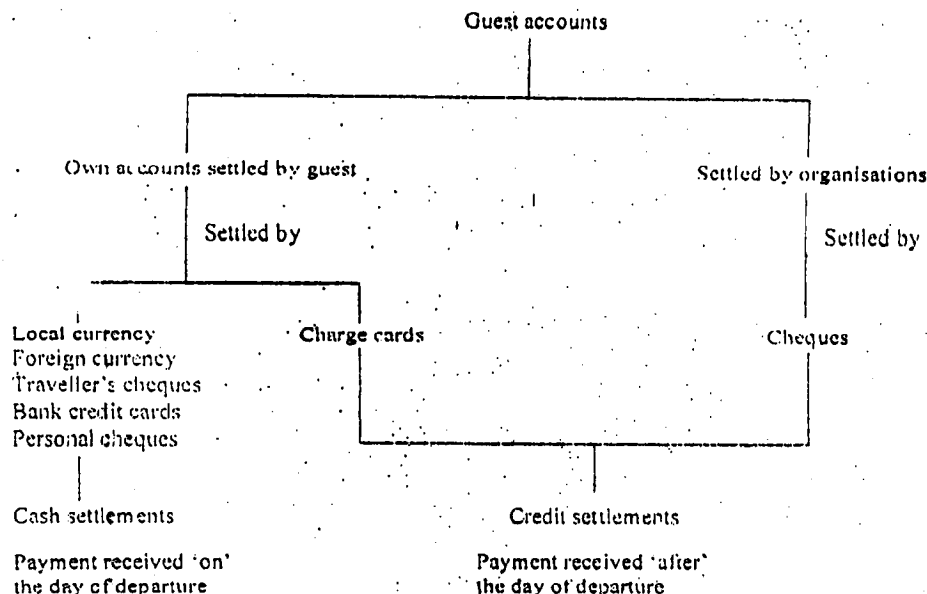


Figure VI: The Types of Accounts and the Settlement Methods

As the above illustration suggests, bill settlement is the next important component of check out process. Usually the bills are updated during the night so as to provide the bills for guests checking out early in the day. It is advisable to ask the guest before time when he or she would be checking out to ensure that the staff has some idea when the guest would be checking out and have a bill ready at

check-out. The bill would include the room service charges as well as any other unpaid bills for services rendered by different departments of the hotel. Yet the settlement of the bill can take some time, as the guest would like to recheck the bill before making the payment or may the payment be credited to the account of the company whom the guest is representing.

The actual guest departure, however, takes place only when the guest returns the keys and leaves the premises. The guest is provided with transportation if required and paid for. The guest folio created is updated for future use.

## 12.8 THE ELECTRONIC FRONT OFFICE (EFO)

In the modern age of computerisation, front office is becoming very important to provide efficient, effective and reliable services to the guest with the optimum use of technology. The computerisation of the front office is a part of the Property Management System, wherein all the departments of a property/hotel are linked to the mainframe. It is important to state here that EFO does not work independently but is also connected with other departments of the hotel. Figure VII, given below, clearly illustrates the inter-dependence of EFO with the other departments of the hotel.

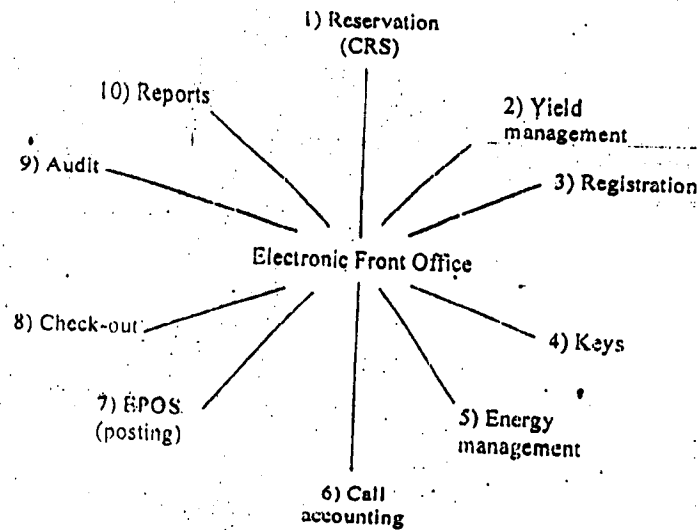


Figure VII: Jobs and Tasks Served by the Electronic Front Office

Let us now discuss the significance of computerisation and consequent inter-dependence of the front office with the other departments.

- 1) **Reservation:** Reservation bookings are instantly taken in and matched against the existing data in the computer. Thus, immediately you can come to know whether the particular type of room requested is available or not along with other facts like the other type of rooms available on that date, room's location, facilities, room rates and also whether the guest is a repeat guest. The reservation booking along with guest information is forwarded to front office people. Thus, front office knows about advance bookings and receives client information very quickly.  
CRS of the hotel helps a guest to book and know the status of his/her booking in any of the group hotel(s). The group hotel can be national or international but CRS gives quick and reliable information on room availability to the guest.
- 2) **Yield Management:** The purpose of the yield management system is to maximise room occupancy while at the same time realising the best average room rate. Yield management needs to consider a variety of reports and "what if ...?" situations, since the room rate is adjusted keeping in mind the occupancy rate of the hotel during the same period in previous years. The front office manager takes the yield management decisions and the reports generated by the computerisation are very helpful for making these decisions.

- 3) **Registration:** As you know that the required guest information is taken in during reservation and thus, the guest only needs to sign-in and checkout. Remote check-in facilities at airports are also becoming popular. The use of plastic or paper key is also becoming very popular. Once the guest is assigned a room the key is automatically printed. Simultaneously the lock configuration of the allocated room is changed to suit the unique key. This means that upon check-out or should the guest inadvertently lose their key, the lock is reprogrammed, and that any lost keys or keys belonging to previous guests will not be able to be used. (Source: Principles of Hotel Front Office Operations, Sue Baker, Jeremy Huyton and Pam Bradley)
- 4) **Energy Management System (EMS):** This ensures the regulated use of energy. Once the guest inserts their key into a special socket located next to door, the EMS activates the power to the room which includes the room lights and ventilation. As the guest leaves the room, after a short delay the power supply is switched off. The front office needs to notify the guest upon arrival about the EMS.
- 5) **Telephone Call Accounting:** The guests can make direct calls from their room without going through an operator. This means privacy and better service for the guest and less work for the hotel staff. The calls details are recorded and call charges are posted to the guest bill.
- 6) **Posting:** The charges from the various departments of the hotel, let it be restaurant, bar, room service, laundry or business centre, are posted directly on to the guest bill. Guest name, room number and account details are updated on the guest account. This ensures less paper work for the staff involved.
- 7) **Check Out:** A fully automatic check-out system allows the guest to review his/her account on the room's TV set. The guest can check and verify the bill and their check out from the room. The actual settlement of the bill takes place on the reception when the client pays for the visit. As a result a lot of time will be saved and there won't be long queues of guests waiting to check out especially during early morning hours of the day.
- 8) **Auditing:** Computer checks and rechecks the various postings of charges. It also crosschecks balance with the amounts paid on the reception. The function of the night auditors is greatly reduced.
- 9) **Reporting:** The various reports needed by the front office manager are efficiently produced. Even hourly status of the room from the front desk and housekeeping are made available for ready reference. The managerial functions like forecasting becomes easier with such up-to-date reports supported by data.

## 12.9 LET US SUM UP

Managing front office function in present times of competition with multinationals having a good command over technological advancements, makes the job for front office staff all the more challenging. Introduction of the new concepts like Tele-check-in, Property Management System, Yield Management and many more, by these multinationals has forced the front office staff to train and retrain themselves to handle these latest technologies and management practices. To make the situation more complex guest's expectations from hoteliers have become so diversified, i.e., expectation are varied ranging from quality of services to time taken at point of check-in or check out through briefing sessions by bell boy regarding usage of electrical gadgets in the room, etc.

## 12.10 CLUES TO CHECK YOUR PROGRESS ANSWERS

### Check Your Progress

- 1) Refer Sec. 12.2.
- 2) Refer Sec. 12.2.1.
- 3) Refer Sec. 12.4.

### Activities

- 1) Visit one medium sized travel agency and one large size agency. Visualise differences in the departmentalisation method adopted by both of them.
- 2) Collect advertisements of leading travel agencies promoting tourist destinations. Prepare a list of tourist attractions at some of the leading tourist destinations and try to rate them according to interest generated by each advertisement.

## UNIT 13 MANAGING HOUSE KEEPING OPERATIONS

### Structure

- 13.0 Objectives
- 13.1 Introduction
- 13.2 Organisation of Housekeeping Department
- 13.3 Layout of the Housekeeping Department
- 13.4 Functions of the Housekeeping Department
- 13.5 Management of Guest Amenities
- 13.6 The Boulders – A Prime Hotel in USA: A Case Study
- 13.7 Let Us Sum Up
- 13.8 Clues to Answers

### 13.0 OBJECTIVES

After going through this Unit you will be able to explain the:

- organisation structure of the housekeeping department,
- various functions associated with this department, and
- control system that can be used in housekeeping operations.

### 13.1 INTRODUCTION

As the name suggests, housekeeping operations are related to the upkeep of the hotel. Housekeeping is basically concerned with the smooth running of the place, as it has to maintain the hotel from the lobby to the room to the restaurants and the cleaning of the public areas. This Unit intends to introduce you with the housekeeping activities and will also apprise you with the managerial aspects of the Housekeeping Department. An attempt has also been made to establish its linkages and healthy relationship with other departments of the hotel.

### 13.2 ORGANISATION OF HOUSEKEEPING DEPARTMENT

To run even a small hotel of 30 rooms you would require massive quantity of linen and a medium sized staff to keep it clean and hospitable for the guests. Within a hotel, the housekeeping department is normally the biggest department with a large number of staff members. Hence, housekeeping department of every hotel has an organised structure irrespective of its size. However, for smaller hotels organisation of housekeeping departments can be done in the manner given in Figure I:

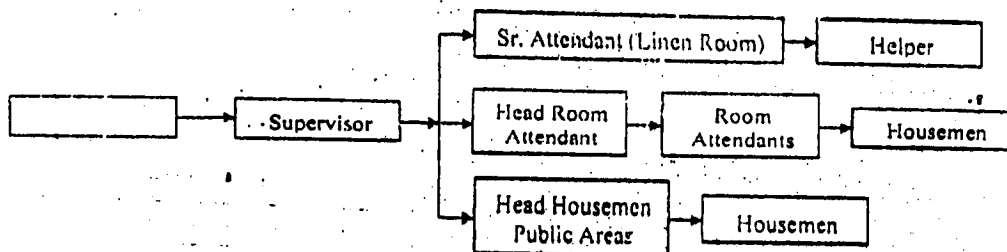


Figure I

(Source: *Practical Handbook of Housekeeping* by Samuels)

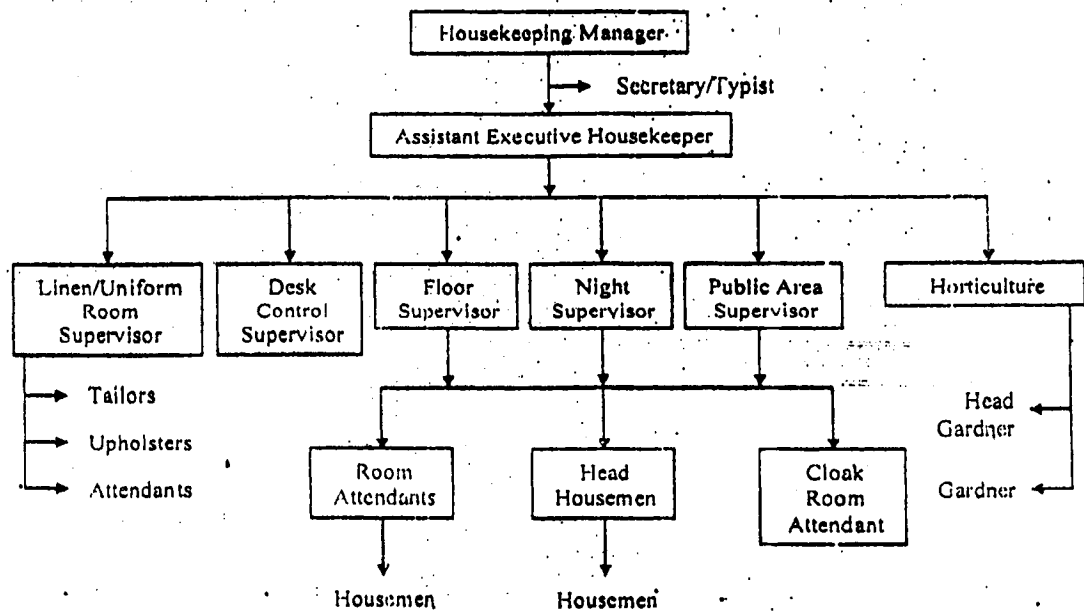


Figure II  
(Source: *Practical Handbook of Housekeeping* by Samuels)

In any medium or large size hotel the housekeeping department is normally organised in the manner described in Figure II;

Figure II illustrates that though the role of all housekeeping personnel is crucial, three are the key players, viz., Housekeeping Manager, Floor Supervisor and Room Attendants. Some of their prime duties can be summarised as:

- Housekeeping Manager:** Also known as the Head or Executive Housekeeper, is the one with ultimate accountability for the department in terms of staff deployment and development, operational standards and profitability. Delegation, community guidance and direction are key skills required in a successful housekeeping manager. As a whole, it is the housekeeping manager who owns the accountability for standards of cleanliness, maintenance and financial performance within the housekeeping department.
- Floor Supervisor:** Also known as floor housekeepers, is in charge of a floor or a specified number of rooms. His/her main job is to ensure the quality and efficiency of the room attendants. Once the room is checked and found to be upto mark it is "handed" over to the front desk for letting out to the guest.

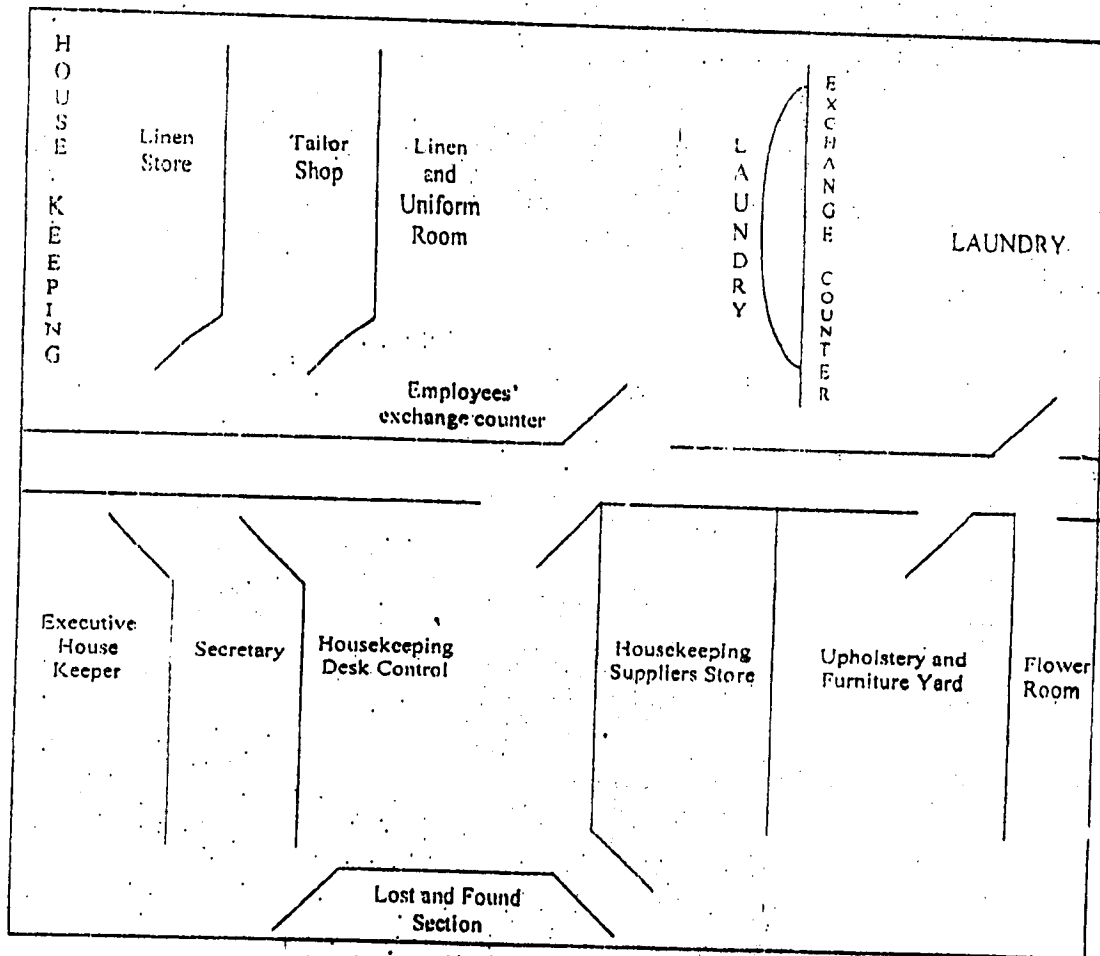
The floor supervisors also impart training to the new room attendants and re-training for the existing staff for corrective measures. They are also responsible for the equipments and cost-control within their area, and liaison with other department like maintenance and front office. Management of linen, refuse and cleaning equipment is another duty of the floor supervisor. Sending soiled linen for cleaning and procuring clean linen for next day's cleaning of rooms is very important. Also the exact count of the linen needs to be maintained at all times in the linen closet.

- Room Attendants:** Room attendants are also known as housekeeping assistants. They are primarily responsible for maintaining the high standards of cleanliness in each of the room assigned to them. Cleaning the room includes vacuuming the rooms, cleaning the toilets, checking and replenishing the used toiletries, changing the linens and towels and making sure that the general set-up of the room is correct. Reporting of the maintenance problems to the concerned department personnel is another key duty performed by the room attendants. At times guests place their queries regarding the local amenities or about hotel facilities to the room attendants and while answering these queries they play their role in customer relations. All these duties are required to be performed in a specified time period as they are allotted fixed number of rooms to maintain.



### 13.3 LAYOUT OF THE HOUSEKEEPING DEPARTMENT

After understanding the organisational structure and functions of the housekeeping department, it is of utmost importance for you to know the layout of this department in a medium or large size hotel, irrespective of the location of a hotel. Layout also aims to convey important areas co-ordinated by housekeeping departments.



**Figure III: Operational Layout of Housekeeping Department**  
 (Source: *Practical Handbook of Housekeeping* by Simuuls)

The layout given in Figure III indicates the functioning departments of housekeeping like linen store supported by tailor's shop; laundry supporting the exchange counter; housekeeping desk control equipped with as many telephone lines as possible so that messages pertaining to the housekeeping personnel may be noted and passed down to them without any delay. Housekeeping also controls lost and found section, wherein all items lost or found by the guests are reported and recorded properly. To ensure smooth supply and functioning of housekeeping department its store shall be well equipped. Following items can be taken as a sample for this:

- Night spreads : 1 for every bed,
- Sheets : 2 for every bed,
- Pillow case : 2 for every bed,
- Bath towel : 1 for every guest,
- Face towel : 1 for every guest,

- Hand towel : 1 for every guest,
- Bath mats : 1 for every guest,
- Mattress protectors : only a few to replace.

Upholstery and furniture yard is also an important section of housekeeping department with the prime duties to maintain and replace as and when furniture or any other replacement of furnishing is required in any room as is reported by room attendants. Another important part of this department is the flower room, equipped with a washing area and air conditioning to maintain freshness of flowers needed for decorative purpose.

As far as ideal number of personnel to be deployed in each section of housekeeping is concerned following formula can be used as a sample:

Executive Housekeeper	: 1 for 300 rooms
Assistant Executive Housekeeper	: 2 for 300 rooms
Floor Supervisor	: 1:30 Morning Shift 1:60 Night Shift
Public Area	: 1 for every shift
Linen/Uniform Room Supervisor	: 1 for every shift
Linen/Uniform Room Helper	: 1 for every shift
Room Attendant	: 1 for every fourteen rooms
Linen Attendant	: 1 for every shift
Housemen	: 1:60 rooms/per shift
Desk Attendant	: 1 for every shift
Tailor	: Subject to load
Horticulturist	: One
Upholster	: One
Head Gardner	: 1 for every 20
Gardner	: 1 for each 450 sq. ft. of landscape area

### **13.4 FUNCTIONS OF THE HOUSEKEEPING DEPARTMENT**

The extension of the housekeeping function outside the hotel bedroom normally includes cleaning of the bedroom floors and may also include the staircases, public cloakrooms and other public areas of the hotel. Many a times outside agencies are involved in cleaning the public areas such as the lobby and the restaurant area as well as the men's and women's restrooms. This activity is normally carried out at odd hours or at the times when public is not around this area. The standard of the cleanliness needs to be maintained and it's the duty of the executive housekeeper to see that pre-determined standards of cleanliness are maintained in all the areas of the hotel it be if the fire-exit stairwells and goods lifts or any other public area. To ensure this, the day of executive housekeepers begin with a round with assistant housekeeper of all such areas which is visited by the public. For this standards need to be set and once the standards are approved, the department shall strive hard to maintain them.

Other function areas of the housekeeping department includes:

- 1) **Lost and Found Department:** Many a times while cleaning a guest room attendant comes across some personal items of the guest left behind. The value of the personal item can vary from almost

nil to thousands of rupees as in the case of Rolex watches, etc. All the articles found while cleaning the rooms are, thus, handed over by attendants to the floor supervisor, who maintains a list of the found articles against the specific room number.

- 2) **First Aid:** First aid as and when needed by the guests is provided by the housekeeping department which maintains the first aid kit.
- 3) **Floral Arrangement:** Fresh floral arrangements all over the hotel are maintained by the housekeeping department. The private areas like guest bedroom or the public areas like the restaurants and the lobby floral arrangements are made by housekeeping department.
- 4) **Laundry Services:** The laundry services extended to the guest are usually provided by the housekeeping. The laundry to be washed is collected from the guest room and washed, dried and ironed clothes are supplied back to the guest room. Earlier, all the hotels had in house laundry services but nowadays many hotels have out-sourced this service, both for the hotel linen as well as for the guest laundry.
- 5) **Purchasing:** This is one role of the housekeeping department where a lot of money transactions take place. This is one of the important areas which can affect the profitability of the hotel if various products purchased and supplies are not well managed. The primary areas of purchasing that are under the control of the Executive housekeepers are:
  - a) **Bedroom supplies:** e.g., laundry bags, breakfast, cards, shoeshine, etc.,
  - b) **Bathroom supplies:** e.g., toiletries,
  - c) **Linen:** bed sheets and towelling,
  - d) **Tea and coffee making facilities (TCMF):** e.g., tea/coffee sachets, sugar, milk and biscuits,
  - e) **Working replacements:** e.g., shower curtains, crockery, glassware, vacuum cleaners, trolleys, etc.,
  - f) **Cleaning supplies:** e.g., air freshener, bleach, cleaning product, and
  - g) **Uniforms:** e.g., for the room attendants/porters.

It is necessary for the Executive housekeeper to ensure that the supplies and their consumption is monitored. The list of items in the purchasing list can be further classified into. (Source: Accommodation Management, edited by Constantinos S. Verginis and Roy C. Wood).

- a) **Consumable:** bedroom supplies, cleaning supplies and TCMF
- b) **Assets:** uniforms, working replacement and linen.

The Executive housekeeper would have different policies for these two distinct groups of purchasing. The actual consumption of the first group of purchases can be anticipated in line with the hotel occupancy. It is necessary to maintain a stock of these items so that the staff can put up their requisitions on a daily or weekly basis. The Executive housekeeper is thus required not only to ascertain the demands but also to control the use of consumable products by maintaining properly the invoices and requisition slips. The consumable products are many and if not properly monitored will obviously affect at large the profit statement of the hotel. Today, computers are used for the purpose.

"Assets", though not in true sense, like uniforms, etc. are not regularly used up and they do not need to be replaced daily. But it is the duty of the staff to maintain their uniform and turn up immaculately, daily. Other items like vacuum cleaners, crockery are phased out over a period of time and are recorded as depreciation. Hotel linen is very difficult to manage, as in a large hotel almost 5000 soiled linens are sent for cleaning daily. To count and counter check the linen from and to the laundry is a herculean task. Moreover, guests also tend to pilfer items like towels from hotels. To keep account of stock and maintain it and when necessary replenish it becomes the priority job for the housekeeping manager.

### 13.5 MANAGEMENT OF GUEST AMENITIES

All the hotels essentially have a list of amenities that they provide to the guests in every room. The housekeeping department is the intermediary which supplies these consumable goods in each room. Table 1 shows the specific amenities that are provided in almost all the hotel rooms, though more can be added to it as per requirements.

Table 1: Specific Amenities

Bathroom		
Soaps	Hair conditioner	Shampoo
Sewing kit	Toothpaste/Toothbrush	Make-up tissues
Hand/Body lotion	Washing line	Shower cap
Suntan lotion	Mouthwash	Scent/After shave
Bath/Shower gel	Hairdryer	
Bedroom		
Shoe shine kit	AM/FM radio	Shoe case
Clothes hangers	Stationery	Direct company billing
In-room safe	Morning newspaper	Remote control
Television/Video recorder	Selection of books and journals	
Food and Beverage Amenities		
Mini bar	Complimentary wine	Fruit basket
Water boiling facilities	Chocolates	Hot beverage supplies
Room service		
Lounge/Desk Area		
Fax machine	Desk light	Personal computer
House directory	Int'l direct dialling phone	Mobile telephones
Stationery	Desk pad	

(Source: Hotel Management, Sue Baker)

As the number of hotel rooms increases, different room types become evident. The amenities provided vary with the type of hotel and the type of clientele they serve. Different graded hotels have certain specific guest facilities keeping in mind their varied guests. Table 2 is an example where two different hotels provide different facilities to the guests.

**Table 2: Typical Amenities**

600 Room deluxe class hotel, city centre location, mainly business bookings	800 Room medium class hotel, sub-urban location, mainly group bookings
<b>Entrance</b>	
"Do Not Disturb" card	"Do Not Disturb" card Breakfast menu Fire escape plan
<b>Desk Top</b>	
Telephone directory Fire escape plan Typhoon safety regulations IDD booklet Guidebook Breakfast menu Sewing kit Ball pen Food and beverage information	Guest directory Guidebook Tent card promotion Ashtray Match box Folder with standard stationeries
<b>Desk-top Folder</b>	
Letter paper/envelopes Telex/Fax forms Thank you and postcards Cable Television guide Blotting paper Limousine service Health spa information	
<b>Closet</b>	
Laundry bags and list Drycleaning bag and list Leather shoehorn Leather clothes brush Shoe shine kit Shoehorn Hangers	Laundry bags and list Shopping bag Wooden hangers

600 Room deluxe class hotel, city centre location, mainly business bookings	800 Room medium class hotel, sub-urban location, mainly group bookings
<b>Mini Bar Services</b>	
Glasses and ice bucket Bottle opener Water (mineral/distilled) Coasters Mini bar on request	Ice bucket Opener Glasses with coaster Red wine glasses – 2 Champagne glasses – 2 304 glasses – 2 306 glasses – 2 Tumbler – 1 Napkins – 2 Stirrers – 2 Drink voucher Rattan basket with liquor
<b>Bedside Table</b>	
Int'l direct dialling telephone Control panel/switches Radio channels	Int'l direct dialling telephone Control panel/switches Radio channels Phone directory
<b>Sitting Area</b>	
Television set Remote control Magazines/Newspapers Flowers	Television set Remote control Magazines/Newspapers Luggage rack
<b>Bathroom</b>	
Bath towels – 2 Hand towels – 2 Face towels – 2 Tissue box and tissues Tumblers with coaster Soap dish with soap Foam bath and shampoo	Bath towels – 2 Hand towels – 2 Face towels – 2 Tissue box and tissues Tumblers with coaster Soap dish with soap Foam bath and shampoo

600 Room deluxe class hotel, city centre location, mainly business bookings	800 Room medium class hotel, sub-urban location, mainly group bookings
Rubbish bin Sanitary bag Shoe shine mitt Shaving socket Bathrobes Slippers Glass jar and cotton buds Bath salts Bottle opener Vase (bud) Emery board Mild clothes detergent Shower cap Hair dryer	Rubbish bin Sanitary bag Shoe shine mitt Shaving socket Plant
Upon Request	
Swimming goggles Adaptors/Transformers Heaters Iron (with board) Baby supplies/crib Extension cord Clothes rack Luggage rack Comb Disposable razor Shaving cream	Adaptors Heaters Iron (with board) Baby supplies/crib

(Source: Hotel Management, Sue Baker)

Providing these amenities is just not enough. It is the duty of the housekeeping department to manage and maintain these amenities. The housekeeping staff needs to keep a check on the consumable items in the room to evaluate their success in terms of profit or loss to the hotel. A set standard in maintaining the room should be set and achieved. A very easy and systematic way to deliver standardised service is to avail the use of checklist.

A checklist is used for monitoring and checking the standard of work. Usually floor supervisors use checklist to check the rooms cleaned by room attendants. A usual checklist is given in Table 3.

**Table 3: Housekeeping Checklist**

Date:		Room No.	
BEDROOM	TICK	BEDROOM / BATHROOM	TICK
Lights off when finished		Top of headboard	
Lights all work		Bedspread, DND, breakfast card	
Wardrobe: 8hangers and straight		Under bed	
Spare pillow in bag		Tops of pictures	
Trouser press work and dust free		Room dusted	
TV works and dust free		Room hovered	
Remote control works		<b>BATHROOM</b>	
Clean room service menu		Bath grouting	
Guest directory: Three paper		Bath tiles	
Three envelopes		Chrome work	
Two fax sheets		Towels: On sink 2 hand	
Merchandiser – leisure break		Above bath 2 bath sheets	
Mirrors clean and smear free		Over bath 1 bath mat	
Drawers: Hairdryer		Shower curtain clean and folded	
1 Laundry bag		Toilet	
1 Shoe shine		Toilet rolls x 2	
1 Laundry list		Toiletries on tray: 2 Gel	
Cupboard: 1 Empty kettle		2 Shampoo	
2 Glasses and coasters		1 Shower cap	
Tea tray		2 Soap	
2 Cups and spoons		2 Glasses	
Tea, coffee, sugar, milk		Ice cup behind tray	
Bin – empty		Hygiene bags	
Tops of lamps		Bin – empty	
Windowsill		Sink	
Curtains and nets		Mirror	
Chairs		Tissue x 1 box	
Telephone – notepads and pencil		Floor	
Yellow pages and phone book		Back of door	

(Source: Hotel Management, Sue Baker)



The overall performance can be measured by these checklists. This includes not only walking the floors or back of the house areas but by sometimes being resident overnight in the hotel and sampling the product. This should be encouraged at all levels within the hotel from the General Manager down to the front line staff. This process needs to be controlled and made available only during the periods of business. Following the overnight experience or by walking around the department, positive comments or troubleshooting ideas should be fed back to the Housekeeping Manager for action and there needs to be a control system in place recording feedback and measuring corrective action as appropriate. While using the control system for maintaining standards, it should always be remembered that standards should be such that they are in line with customers' expectations and the profit needs of the business.

#### Check Your Progress

1. Analyse the role of different sections of housekeeping department.

2. Analyse operational layout of housekeeping department.

3. List the main advantages and disadvantages.

### 13.6 THE BOULDERS – A PRIME HOTEL IN USA : A CASE STUDY

Let us take a case study for our understanding.

#### 13.6.1 Description

**The practice:** The Boulders utilises self-directed, three-person housekeeping teams, each team divides and interchanges all room duties, chooses its own work areas, is responsible for room quality, and conducts its own room inspections. This practice, implemented in late 1998, also requires that each team be multicultural to assist staff members who are trying to learn English, and to encourage greater interaction among all employees.

**Why the practice was developed:** As a deluxe resort, the Boulders requires a high level of service for each guest room. However, guests frequently complained about too many housekeeping interruptions during the day, a reduction in room 'entries' were necessary. In addition, housekeeping is perceived to be 'the toughest job in the resort. It is boring'. According to Linda Heyman, Director of housekeeping, "The Boulders wanted to find a better way to retain and motivate room attendants. There was also a need to make the housekeeping department more efficient, while simultaneously creating 'a better place to work'.

Housekeeping teams were not completely new to the Boulders. During the big 'turn' days when the room cleaning got bogged down, SWAT teams were used to expedite the cleaning process. Heyman proposed the team concept as a permanent solution; she had read about the team concept in other industries and believed it would work in hotel housekeeping. Heyman's boss, John Maddock, gave the go-ahead to try housekeeping teams.

### 13.6.2 Execution

The resort manager and the human resources director supported the team concept. Heyman actually implemented the practice, but the resort manager and human resource director provided her with moral support, payroll expense flexibility and other necessary tools. The goals of the practice are to increase staff motivation, improve the working environment, upgrade guest service and decrease guestroom disturbances. Heyman believes that accomplishing these objectives will eventually increase profits.

Heyman met with housekeeping supervisors, and the structure of the practice was hammered out. Then team concept was presented to all housekeeping staff. Implementation was accomplished in stages. First supervisors, then team leaders were trained in a series of meetings. Because of their 'leadership' role, team leaders were given 50 cents more per hour.

**▲ trial:** Team leaders created two test teams composed of the most enthusiastic employees. Slower staff members were teamed with faster ones. Feedback from the two teams was encouraged. Normally a room attendant cleans 11 rooms per day (or 11 credits, depending on the size of the room). The two teams, on the other hand, initially were assigned 25 rooms (33 rooms did not work). At first, the teams were discouraged, as it was difficult to meet the 25 room standard. The three-month test period produced many modifications based on the teams' feedback and ideas.

All employees were encouraged to help shape the practice. However, change was a problem with many employees. Initially room attendants did not react well to the team concept many preferred to work alone. Training was required, particularly with those who did not deal well with change. In addition, language and interpersonal skills training was implemented.

**Operational issues:** Learning how to operate in self-directed teams has proved to take longer than anticipated. Consequently, additional payroll costs have been incurred, but it is expected that they will diminish. Equipment problems had to be resolved. In addition, there were personnel problems that had to be worked out through training. For example, housemen (who were one-third of the team) initially felt that it was not their job to do the beds.

**Costs:** Start-up costs are very higher as the employees are allowed to be less efficient as they begin navigating the learning curve for this practice. Heyman believes that the benefits of the practice will eventually outweigh the costs.

### 13.6.3 Outcomes

**Success of the practice:** The self-directed housekeeping teams have been very successful so far. Heyman notes that several of the objectives of the practices already have been achieved. Guests are happier and staff is more stable. Retention and morale of room attendants appear to have improved. Employees believe they have more control over their jobs. They do not work alone, and they have more flexible schedule. At the outset, the staff has been less productive, but this is improving.

Once the practice is fully implemented, Heyman intends to assess the effectiveness of the housekeeping teams by measuring time needed per occupied room.

Heyman feels that the work-team concept will spread to the other departments, and certainly will be sustained in housekeeping.

**Benefits top customers:** Because of the practice, rooms are readied for guest check-in faster, and guests have fewer intrusions on their privacy. Soon in-room minibar service will be incorporated into the team concept.

### 13.6.4 Insights

**Advice and observations:** Heyman feels much planning is necessary to implement a work-team practice. If she were doing it all over again, Heyman would implement the practice at a slower pace. She would also assign fewer rooms to the teams at first, and after learning how negatively some employees react to change, she would set more realistic goals.

Heyman believes that the practice would likely not work as well in a high-rise structure, but would be effective in a sprawling resort, and in hotels where there are large rooms. She states that the practice works well with multicultural employees. (Source: Express Hoteliers and Caterers)

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### 13.7 LET US SUM UP

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Housekeeping can rightly be called soul of a hotel if front office is considered to be the heart of a hotel. It is the housekeeping which gets the room ready for the guest and when guest checks out room is handed over to the housekeeping for up-keeping. Items and gadgets to be checked range from bathroom kits to bedroom gadgets like television, refrigerators, and air conditioners and if any fallacy is found with any of the technical equipments, engineering department may be contacted for repairing of the same. Job of the each player of housekeeping department is clearly mentioned in the organisation chart so as to avoid duplication of efforts as well as consequent wastage of energy. It is essential that proper inventory shall be maintained so that guests' requirements can be met at all the times. In fact, even other segments of the tourism industry ought to know about these services in order to acquaint their clients of the facilities when they sell the packages tours etc.

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### 13.8 CLUES TO ANSWERS

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**Check Your Progress**

- 1) Refer Sec. 13.2.
- 2) Refer Sec. 13.3.
- 3) Refer Sec. 13.5.

**Activities**

- 1) Visit a Hotel (either small or big) in your locality. Collect information on functioning of the Front Office Department. Prepare list and functions of each personnel associated with Front Office.
- 2) Prepare a list of organised and unorganised sector hotels in your area. Compile information on types of rooms being offered by them.

## **UNIT 14 MANAGING FOOD AND BEVERAGE OPERATIONS**

### **Structure**

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Food and Beverage Operations
- 14.3 Assessment of Market and Consumer Needs
- 14.4 Food Service Operation System
  - 14.4.1 Designing the Restaurant
  - 14.4.2 Equipments
  - 14.4.3 Menu Planning
- 14.5 Managing Food Service Operations
- 14.6 Beverages
- 14.7 Cost Control
- 14.8 Computer Applications in Food and Beverage Services
- 14.9 Let Us Sum Up
- 14.10 Clues to Answers

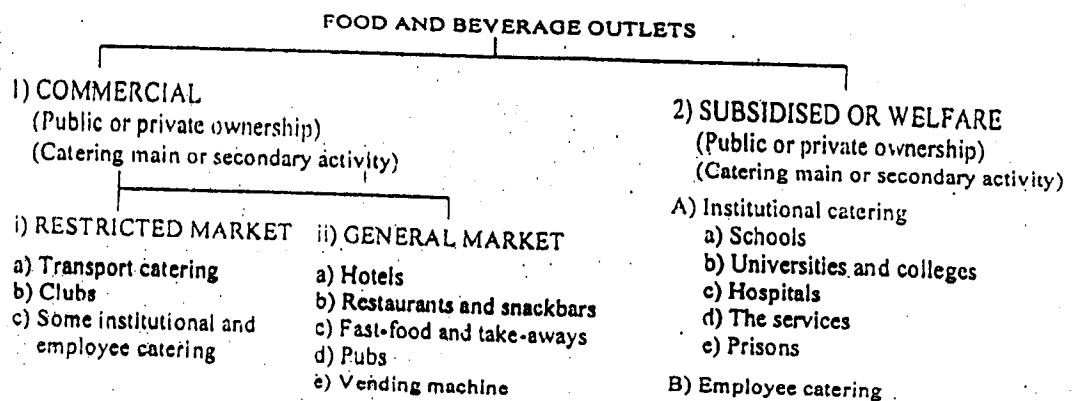
### **14.0 OBJECTIVES**

In continuation of the earlier Unit about the functions of the hotel industry, after studying this Unit you will be able to explain the:

- various functions of the food and beverage department,
- food service operations,
- way of designing a restaurant attractively, and
- elements involved in menu planning.

### **14.1 INTRODUCTION**

The hospitality industry is primarily known by its output products for satisfying the guests' demand of accommodation, food and beverages away from their homes. Usually the industry is split into two separate segments of accommodation and Food and Beverages (F&B).



**Figure 1: The Main Sectors of the Hospitality Industry. (Source: Davis and Stone, 1991)**

There are various kinds of food and beverage operations designed to meet the demand of the consumers. Over the years, eating out has become a matter of choice rather than necessity. However, the primary reasons for eating out are:

- to celebrate a special occasion or treat,
- meeting friends,
- just for a change from home, and
- at times a necessity, e.g., eating out while travelling.

In this Unit thus, you will be familiarised with the working of the Food and Beverage outlets. Primarily, you will learn about opening and managing of a food and beverage outlet irrespective of its location and speciality.

## 14.2 FOOD AND BEVERAGE OPERATIONS

Food and beverage segment of hospitality industry is primarily concerned with providing food and beverages to their consumers. Various elements related in its operations can be summarised in the catering cycle which is shown in Figure II.

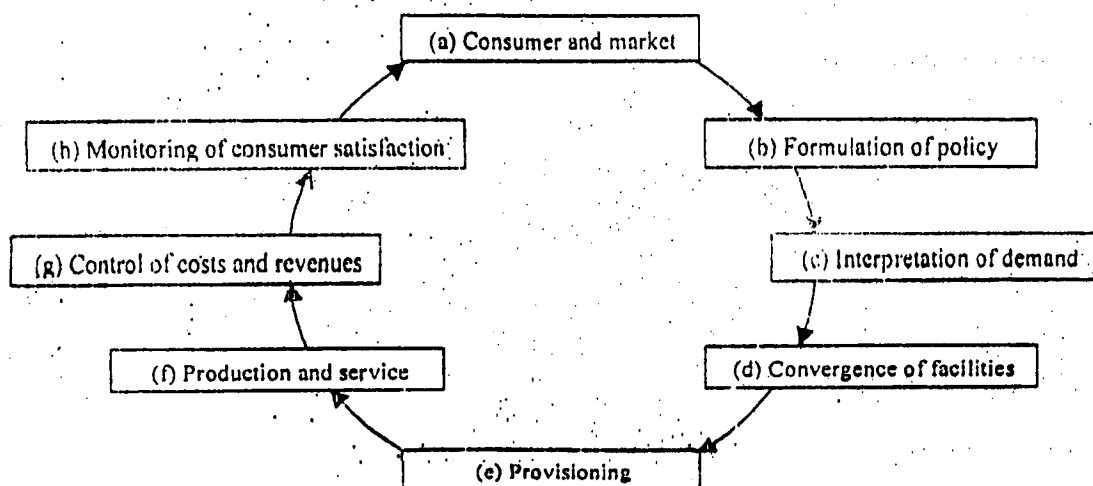


Figure II: The Catering Cycle (Source: Cracknell et al., 1983)

The fact that the catering cycle is not only concerned with operations but it is also a dynamic model in the sense that any one problem in one section of the cycle will cause difficulties for other elements of the cycle. For example, problem in the purchase section will also affect production and service, while improper utilisation of raw materials during production would also affect control system and so on. We can infer from the cycle that an ideal food and drink service would be one which:

- provides food and drink on demand;
- has optimum utilisation of labour and skill, raw materials and equipments;
- has quick and simple methods of operational design; and
- has flexible system design allowing ease of adaptation.

To be able to establish and manage such an ideal food and beverage outlet one would require meticulous preparation, both at pre and post opening stages of the outlet. Yet the common assumption is that Food and Beverage outlet is the easiest way to earn a profit, since food always sells. It is also often assumed that if you eat well then you know how to run an eating joint. Well such thoughts are far from the truth. Let us now discuss various elements involved in the opening and running of a restaurant successfully:

### 14.3 ASSESSMENT OF MARKET AND CONSUMER NEEDS

Market research should be the first activity to be performed once you decide to open food and beverage outlet. Figure III displays how you can decide upon creating a product based on the consumer needs.

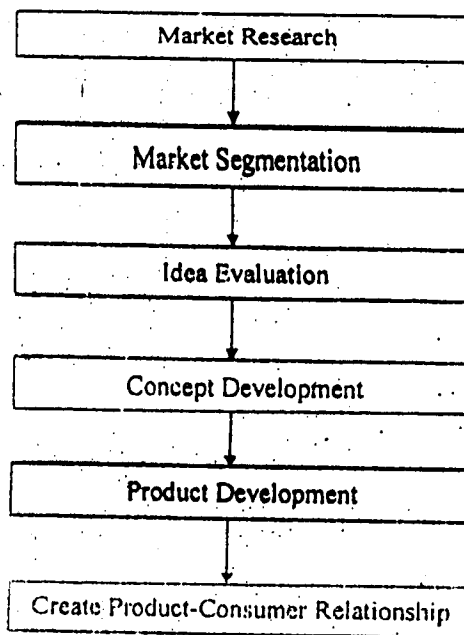


Figure III: Product-consumer Relationship Development Framework

Market research requires investment of a lot of time and money. The methods used can be interviews, questionnaires, sales analysis, consumer panels, market information from specialised publications, specifically commissioned market information and other data available ordinarily. Large organisations try out all the avenues of market research while smaller outlets may perform their market research on their own. Market research is, therefore, concerned with human needs, wants, demands, goals and values.

Market research paves the way for market segmentation and the identification of the target consumers. As you know market segmentation can be demographic, geographic or others. You should know that the same product belonging to an international food chain can be priced differently in different countries.

Idea generation can be a brainstorming session or it can be based on the market research reports. It would be focussed on generating a product based on consumer needs, wants and demands. The generated ideas need to be screened. The type of outlet to the type of food that would be served needs to be generated and screened during this session.

Once an idea has passed the screening process, various products and parts of products need to be conceptualised. Various factors like price, quantity, amount of choice; consumer's quality perceptions and amount of product usage are used to position a concept. Once the idea is converted into a concept it needs to be tested in the identified market segment. Questionnaires and interviews regarding the conceptualised product, its price and location of outlet, etc. answered by the prospective clients would help in finalising the product(s).

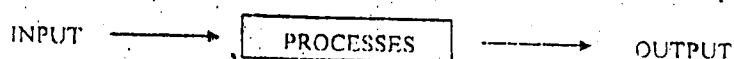
Product Development Stage would involve turning this concept into a product. Food and Beverage products do not only mean providing food and drink but also involves decisions on the type of service outlet to be provided, the kind of service whether a self-serving or speciality restaurant or a take-away meal outlet would also help in forming the complete product. It is essential to understand how we would like the consumers to view our outlet. The way we would want the consumers to view our

outlet whether a Gourmet event or cheap meal outlet, etc. would define the ambience, price, service and food and beverage. Once we are definite on our product we need to launch our product with right promotion so as to reach our target consumers.

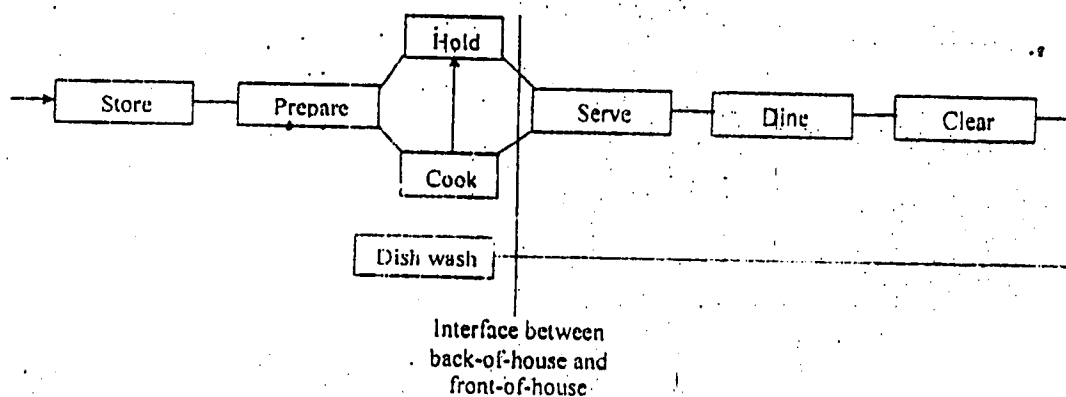
The consumer-product relationship, once built, needs to be maintained and improved upon. However, with the passage of time the needs, wants and demands of the consumer change. Therefore, market research should be an ongoing procedure to ensure a long lasting relationship with the consumer. In other words, feedback is necessary to maintain the old consumer relationships and to form new ones.

#### 14.4 FOOD SERVICE OPERATION SYSTEM

Food Service Operations involve the procuring of raw materials, production of food and finally serving to the customers on demand. As the food service outlet varies, the type of services provided and also the food production process also varies. Yet the process can be depicted simply as,



The input being the raw materials, processing involving the cooking and preparation of food and output is to serve the prepared food to the guests. The process of the food production traditionally followed is depicted in Figure IV.



**Figure IV: Flow diagram of traditional foodservice delivery systems.**  
 (Source: Adapted from Alan Huellin and Peter Jones, Food Service Systems: Generic Types, Alternative Technology and Infinite Variation, Journal Of Foodservice Systems, 3(4), p. 303, 1990)

Figure IV shows the eight distinct stages of the traditional food service delivery system. These stages are:

- 1) Storage - refrigerated or ambient storage of material
- 2) Preparation - activities such as peeling, cutting and so forth
- 3) Production (cooking) - methods such as frying, roasting and so forth
- 4) Holding - storage between production and consumption
- 5) Service - style of delivering dishes/meals to consumers
- 6) Dining - consumption of meal by consumer in setting
- 7) Clearing - removal of equipment/food debris
- 8) Dish wash - cleansing of soiled equipment.

A few distinguishing features of the traditional system are:

- Clear demarcation between front and back of the house,
- Customer interaction/contact is restricted only to the front, and
- All the activities take place on the same premises.

Various modern food service outlets do not always follow the traditional system in its true form. A few changes are brought about, depending on the type of service outlet. For example, a la carte restaurant in a five star hotel would use fresh ingredients and stage 4, wherein prepared foods are kept on hold is not necessary. Same is the case when in speciality restaurant the different courses are prepared right in front of the guest. At times the prepared food needs to be held in special temporary conditions and so on. Thus, the food production process is modified according to the policy of the outlet.

The production policy decides the purchasing and storing factors. The success of the outlet depends as much on the food production processes as on the site and décor of the place. Initially the idea of opening a distinctive type of service outlet is decided for example a bar or restaurant with self-serving facilities, etc. Then a site is selected according to the distance from the target market. Often a new restaurant is opened within an existing hotel. A manager takes decisions of opening new eating joints as a result of the changing markets trends or a demand of a new outlet by the guests visiting the hotel. The opening of a new outlet within a hotel means to create space within the area by either renovating an old eating joint or otherwise. Once the space has been earmarked, one can start working for setting up and running the outlet. This also involves designing of the Restaurant, i.e., the designing of both the sitting area and the kitchen and office area for such an outlet.

#### 14.4.1 Designing the Restaurant

The designing of the sitting area of restaurant depends on the type of restaurant. For example, if the restaurant is only for breakfast buffet, then the sitting arrangements needs to be centred around or near the buffet table for easy access by the customers. While designing the guest sitting area one needs to choose the correct furnishing and furnitures. The guest sitting area should provide some form of privacy to each guest table and at the same time have optimum utilisation of space. Each table should be easily accessible by the serving staff and thus save on serving time. The décor should be pleasant as well as attractive. The ambience of the restaurant contributes towards the customer satisfaction. Over-doing the décor is not advisable. Lighting plays an important role for giving the correct ambience, but one should remember there's a difference between deductive lighting and eating one's meal in almost total darkness. Soft music, if played completes the relaxed ambience and environment. Air conditioning, though not a must a few years back, has now become a necessity so as to provide clean and cool air to the guests.

Designing the kitchen also forms an important part since major work is done there. The primary areas of kitchen can be distinguished as:

- a) **Storage:** where the raw materials are stored. This would mean both dry storage and refrigerated storage area. Storage area is also dependent on the type of restaurant. For example, a speciality restaurant may require some special storage facilities for the ingredients.
- b) **Pre-preparation Area:** Kitchen usually has a specified area for cleaning, peeling, chopping, mixing and combining ingredients.
- c) **Production Areas:** The production areas or food preparation area is best situated. The production area has hot food and cold food area wherein main courses, soups and salads and other refrigerated food is prepared, respectively.
- d) **Bakery:** If the manager decides on providing baked food, a separate bakery is useful.
- e) **Holding and Service:** An area for holding the food prior to service is very essential.
- f) **Ware Washing:** The washing area is usually near to the dining area but also close to the main production area.
- g) **Pot and Pan Area:** A pot and pan area would enable the storing of the utensils when they are not in use.

The restaurant design must have an Office Area and Employees Area. The office area would be used to keep the record of various transactions both with the suppliers and the consumers. The employees need an area to change into work clothes and also an area to rest during breaks. It's the manager's duty to check the viability of a restaurant's final design and work out the viability of the plan.



## 14.4.2 Equipments

The general points to be considered when purchasing equipment for a food and beverage service area are (Source: Food and Beverage Management by Cousins, Foskett and Short):

- Flexibility of use;
- Type of service being offered;
- Type of customer;
- Design;
- Colour;
- Durability;
- Ease of maintenance;
- Stakability;
- Costs and funds available;
- Availability in the future – replacements;
- Storage;
- Rate of breakage, e.g., for China;
- Shape;
- Psychological effect on guests; and
- Delivery time.

When purchasing China factors to be considered are:

- Every piece of earthenware should have a complete cover of glaze to ensure a reasonable length of life;
- China should have a rolled edge which will give added reinforcement at the edge; and
- The pattern should be under rather than top of the glaze. However, this demands additional glaze and firing. Patterns on the top of the glaze will wear and discolour very quickly. Therefore, China with the pattern under the glaze is more expensive but its life will be longer.

Tableware is a term which includes:

- Flatware: all forms of spoons and forks;
- Cutlery: knives and other cutting equipments; and
- Hollow-ware: any item made from silver, apart from flatware and cutlery, e.g., teapots, milk jugs, sugar basins, oval flats.

The majority of food service areas use either plated silverware or stainless steel. Checking the quality and grade of the plated silverware along with the degree of stainless steel polishing is a must before buying them.

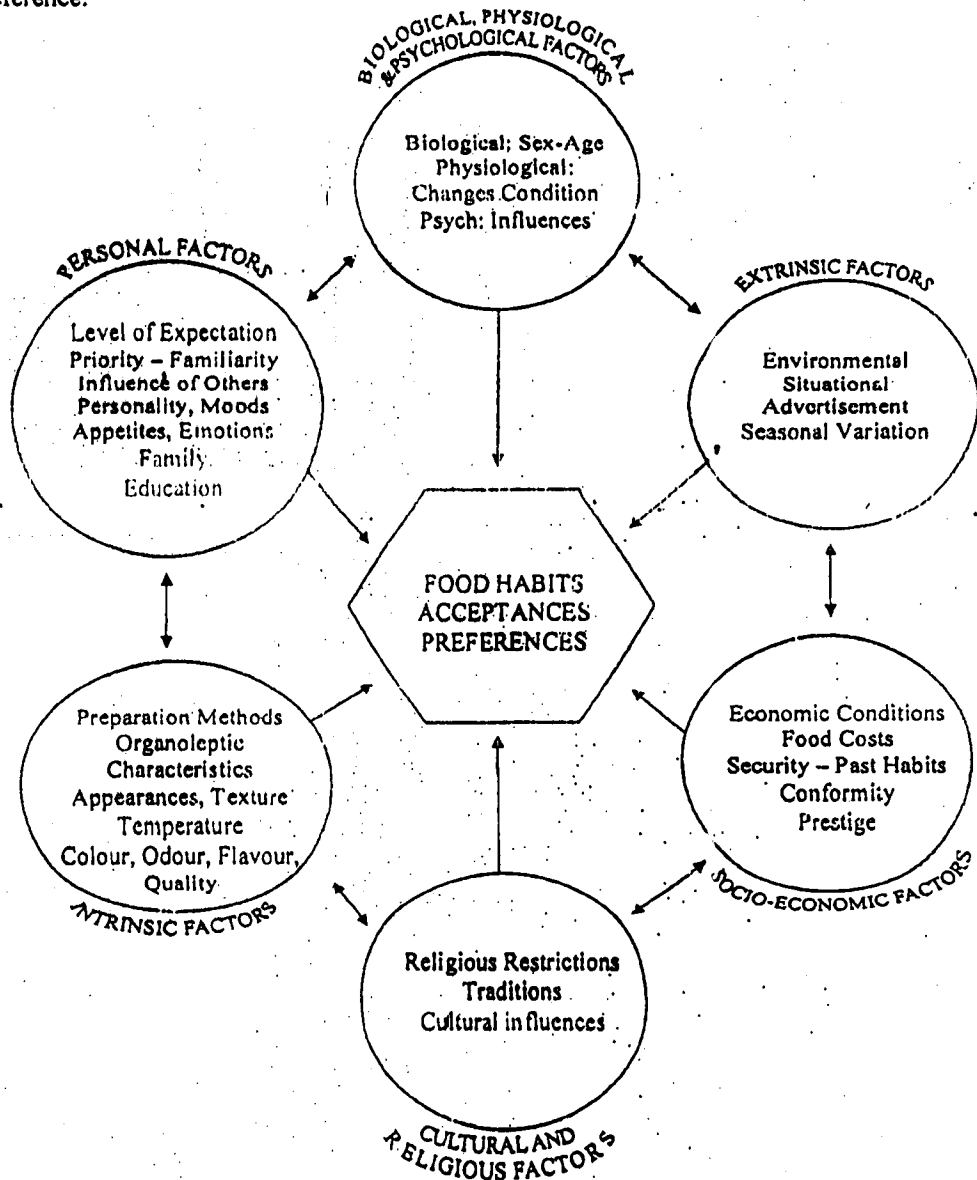
Glassware contributes to the appearance of the table and the overall attraction of the room. Most of the manufacturers now supply hotel glassware in standard sizes for the convenience of ordering, availability and quick delivery. Except in certain speciality restaurants or high-class establishments, where either coloured glassware or cut glassware may be used, hotel glassware is usually plain.

Other than above service ware pots and pans along with various electronic gadgets need to be bought for the kitchen. Food processing is possible only if the correct and easy to use utensils are available

for the same. Also service linen need to be purchased. The service linen are needed for the tables as well as trolleys and sideboard cloth. Tea and glass cloth and table napkins are also used but the quality of linen varies as the use varies.

### 14.4.3 Menu Planning

Consumers' food preferences are the major factor while deciding upon the menu planning. It is not easy to decide what will most be liked by the people. The consumer preferences are based on many factors, such as, food, nutritional value, the cultural and ethnic background and others. **Figure V** (Source: VNR's encyclopaedia) brings forth the factors affecting food habits, acceptance and preference.



**Figure V: Factors affecting food habits, acceptance, and preferences**

Figure V clearly illustrates that the food habit acceptances and preferences depend on the following factors:

- Age, sex, physiological and psychological influence affect of the food a consumer chooses,
- Factors like appetite, personality, mood and emotions and also the influence of other people,

- Advertising and environmental situations prevalent even before the guest enters the restaurant,
- Economic conditions and social or prestige issue of the guest,
- The appearance, texture, quality, odour and flavour of the prepared food, and
- Finally, religious and cultural constraints as many people don't try some food due to their set views.

As you can see many factors affect the food preferences and most of them are beyond the control of F&B Manager. It is difficult to be 100% sure what is going to appeal to the consumer. Thus, menu planning is extremely important since it involves selection of food, and beverages acceptable to both – to the guests (consumers) and to the management. Menu planning involves careful consideration of the following aspects:

- The type of food service outlet and the budget available with the organisation for the outlet;
- The consumer food habits;
- The availability of the raw materials is also important. Many food items are seasonal and procuring of exotic ingredients can prove to be difficult. The viability of the menu depends on the available ingredients; and
- The physical facilities and equipments also dictate menu planning. Both the type and number of equipments available play an important role in the selection of menu items.

Once the factors affecting menu planning are understood, menu is decided upon. Essentially menus can be of three types:

- a) Static or fixed menu where the same menu items are offered repeatedly.
- b) Cycle menu refers to menus, offering different items for a pre-determined time period.
- c) Finally, Single Use Menus which are planned only for special days or occasions and are not repeated.

Cookbooks and computers help to a greater extent in Menu planning. The success or failure of a food service venture depends on the menu and hence Menu is the focal point around which all the components of a food service operation are centred.

## **14.5 MANAGING FOOD SERVICE OPERATIONS**

As a manager you need to concentrate on the management aspect of food services once your outlet is operational. Various aspects of managing food service operations involves:

### **a) Food Purchasing:**

According to John Stefanelli the food service purchasing involves:

- developing specifications;
- preparing an approved suppliers list;
- determining the appropriate order size; and
- establishing appropriate receiving and storage procedures.

Specifications is the first step, since it represents cost and quality control guidelines.

Developing appropriate specifications for each item purchased from an outside supplier helps in avoidin. any future misunderstanding among the concerned people. Mostly the restaurant manage.'s develop an approved supplier's list. This ensures a consistency in quality and cost. This also helps in controlling the buyer's activities. Usually, the manager can only add or delete a

supplier's name to the list. Determining the order size is very difficult. A case of over-buy results in storage problem whereas under-buy is an option no manager wants to take. Over a period of time a somewhat accepted order size could be agreed upon.

Once needs are determined, the procedure for ordering and buying is set up. Invoices and receipts with signatures will help in checking any possible mischief or theft.

**b) Managing food production systems:**

Food production is the core of the food service industry. Menu classification starts the food production system Table 1 describes. The three different types of menus which are mainly used according to the nature of outlet.

**Table 1: Menu classification**

	No Choice	Limited Choice	Choice
Fixed (static)		Quick service restaurant	Full service restaurant Cafeteria
Cycle	Airline Nursing home	School food-service	Cafeteria
Single-use	Banquet	Catered luncheon	Buffet

Although menu forms the core of food service industry, the ingredients form the magic part of the food produced. Herein, comes the usefulness of recipe standardisation. It is the most important tool available to control costs and ensure product consistency and quality. Consistence duplication of food item is achieved with an accurate record of ingredients, amounts and methods of combining ingredients and cooking. Given below in Table 2 is a format used for standardisation of recipe:

**Table 2: Sample production schedule format**

Date					
Meal					
Unit					
Item/Recipe	Quantity Needed	Actual Produced	Time	Leftover	Comments
Additional instructions					

Although standardisation of a recipe is important, it is often overlooked in food service industry. As a manager, you shall ensure that standardisation of a recipe is achieved so as to control quantity and quality along with the costs involved in running an eating joint.

**c) Food Service Hygiene:**

Hygiene is very important for any eating joint. Reputation of a restaurant is made based on its menu and hygiene. Here the employees are in constant contact with food and preparation equipment. Major source of contamination of food arises from human contact from elements like skin, fingernails, hair, jewellery, mouth, nose and respiratory tract and eyes. Employees, therefore, should be trained to ensure that they maintain personal hygiene.

Next area of consideration is the equipment to be used. The cleaning area should be clean so as to ensure food service hygiene. The sink and work surfaces should be cleaned before and after every use. The equipments should be sanitised and sterilised after every cleaning. These sterilised equipments need to be stored in a clean area with protection from splash, dust and contact with food. Various sanitation methods like thermal and chemical sanitation methods among others should be used.

The kitchen area and dining space should be pest free. Pests like, mice, cockroaches, etc. bring bad reputation to a place because they are carrier of many diseases. Hence, regular pest control methods must be undertaken so as to ensure hygenity of not only food but also of the surroundings.

## 14.6 BEVERAGES

Beverages or drinks can be either alcoholic or non-alcoholic. Non-alcoholic beverages include tea, coffee, juices, shakes, aerated drinks and of course mineral water. The entire food service outlet usually provides non-alcoholic beverage. However, a few offer alcoholic beverages bearing in mind that:

- special permit or licence is required to serve alcohol at the premises,
- usually specific hours are maintained, and
- age of the consumer needs to be checked so as to ensure the legal age of buying an alcoholic drink.

Once an establishment starts to supply or provide alcoholic drinks to the consumers it needs to maintain a wine and drinks list. If the drinks are served along with food then the list should match the food on the menu. The drink list is provided to the guests along with food menu and the drink should help bring out the flavour of the food. For example, white wine goes well with less flavoured food and so on. The list size and shape should be such that it is easy to handle by both staff and guests.

### Types of Wine and Drinks List

The wine and drink contents of a list may include (Source: Food and Beverage Management by Cousins, Foskett and Short):

- non-alcoholic drinks including natural spring and mineral waters, aerated waters, squashes, juices and syrups.
- cocktails including non-alcoholic cocktails,
- bitters as aperitifs and for mixed drinks and cocktails,
- wines including still wine, sparkling wines, alcohol-free, de-alcoholised and low-alcohol wines, fortified wines and aromatised wines,
- spirits,
- liqueurs,
- beers including draught and packaged beers and reduced alcohol beers, and
- cider and perry.

The order of wines and drinks on a list tends to follow the order of consumption or be grouped under types of wine or drink.

- Cocktails,
- Aperitifs,
- Cups,
- Wines,
- Liqueurs, and
- Beers, minerals and squashes.

Wines are often listed by area, with the white wines of one region first followed by the red wines of that region. A more modern trend is to list all the white wine available area by area followed by the red wines arranged in a similar way. This type of layout is often more useful to the customer. However, in all wine lists sparkling wines, and, therefore, the champagnes, are often listed before all other wines available.

These may range from a basic standard list offering the common everyday aperitifs, a selection of spirits with mixers, beers and soft drinks together with a limited range of cocktails to a very comprehensive list offering a wide choice in all areas:

- A full and very comprehensive list of wines from all countries, but emphasis on the classic areas such as Bordeaux/Burgundy plus a fine wine/prestige selection.
- A middle of the road traditional selection, e.g., some French, German, Italian together with some 'New World' wines.
- A small selection for well-known or branded wines – a prestige list, and
- Predominantly wines of one specific country.

#### After-meal drinks list (digestifs)

- These are often combined with the wine list – although are occasionally presented as a separate liqueur list.
- The list should offer a range of liqueurs together with possibly a specialist range of brandies and/or a specialist range of malt whiskies. Vintage and LBV port may also be offered here, and
- A range of speciality liqueur/spirit coffees might also be included.

#### Banqueting wine lists

- The length is generally according to size and style of operation,
- In most instances there is a selection of popular wine names/styles on offer,
- There would be a range of prices from house wines to some fine wines to suit all customer preferences, and
- In some instances the banqueting wine will draw wines from the restaurant wine list.

#### Room service drinks list

- There may be a mini-bar or choice from a standard bar list, and
- They usually offer a limited range of wines.

#### Purchasing and Pricing

Purchasing the right amount of stock is the main objective of a beverage manager. Many items have limited shelf life but in the case of good wine it can be decades. Nevertheless, under-stocking means not being able to serve the guests properly while over stocking means extra storage space. The right stock levels can be determined by using past sales data. A formula which can also be useful is:

$$M = W(T + L) + S$$

(Source: Food and Beverage Management by Cousins, Fenscott and Shortt)

where

M is the maximum stock,

W is the average usage rate,

T is the review period,

L is the lead time,

S is the safety stock (buffer or minimum).

An example of using this formula could be

W = 24 bottles per week

T = 4 weeks

L = 1 week

S = 1 week's usage, i.e., 24 bottles.

Therefore,

$$M = 24(4 + 1) + 24 = 144 \text{ bottles}$$

ROL (Reorder Level) may also be calculated as:

$$(W \times L) + S = (24 \times 1) + 24 = 48 \text{ bottles}$$

The Pricing is based on three basic methods:

- 1) **Cost Plus Pricing:** The selling price is determined by the addition of specific percentage, of the cost price, to the cost of the drink (Gross profit = sales less the cost of sales).
- 2) **Rate of Return:** The total costs of the business are determined for a given business level and from this the percentage of the cost price required to be added to the cost is determined in order to ensure that business will be viable.
- 3) **Market Oriented:** Selling price is determined by considering both what the customer is likely to pay as well as what others in similar operations, locally, are charging.

### Storage and Cellar Management

Factors and practices which determine good cellar management are (Source: Food and Beverage Management by Cousins, Foskett and Short):

- Good ventilation,
- High levels of cleanliness,
- Even temperatures of 13-15°C (55-59°F),
- Strong draughts and wide ranges of temperatures should be avoided,
- On delivery all casks should be placed immediately upon the stillions,
- Casks remaining on the floor should have the bung uppermost to withstand the pressure better,
- Spiling should take place to reduce any excess pressure in the cask,
- Tappings should be carried out 24 hours before a cask is required,
- Pipes and engines should be cleaned at regular intervals,
- Beer left in pipes after closing time should be drawn off,
- Returned beer should be filtered back into the cask from which it came,
- Care should be taken that the cellar is not overstocked,
- All spiles removed during the service should be replaced after closing time,
- All cellar equipment should be kept scrupulously clean,
- Any ullage should be returned to the brewery as soon as possible, and
- All beer lines should be cleaned weekly with a diluted pipe-cleaning fluid and the cellar floor washed down weekly with a weak solution of chloride of lime (mild bleach).

Wines should be located away from excessive heat – hot water pipes, a heating plant or hot unit. Table wines should be stored on their sides in bins so that the wine remains in contact with the cork. This keeps the cork expanded and prevents air from entering the wine – a disaster which quickly turns wine to vinegar. White, sparkling and rose wines are kept in the coolest part of the cellar and in bins nearest the ground (because warm air rises). Red wines are best stored in the upper bins. There are also special refrigerators or cooling cabinets for keeping sparkling, white and rose wines at serving temperature.

These may be stationed in the dispense bar – a bar located between the cellar and the restaurant – to facilitate prompt service.

Spirit, liqueurs, beers, squashes, juices and mineral waters are usually stored upright in their containers, as are fortified wines. The exceptions are port-style wines which are destined for laying down.

### **Beverage Control**

The following factors need to be considered in the beverage control (Source: Food and Beverage Management by Cousins, Foskett and Shortt):

- The record of the supplier and the deliveries received from him,
- A record of movement of stock between bars and restaurants,
- A cellar stock ledger to maintain the stock records,
- Requisition form should be used by the units selling alcoholic beverages to draw items from the cellar,
- Record of goods received and issued from the cellar is to be maintained, and
- A record of the sales taking place. At the end of the day, auditor can go through all the records and come upon the exact sales and profit record.

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## **14.7 COST CONTROL**

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The aim of any business is to make profit. Profit is not only earned but every time one saves money, money is earned. According to James Keiser, control works best when it is used with other management processes like planning, organising, directing and evaluating. According to him there are two basic approaches to control – Behaviouristic Approach and Traditional Approach. The traditional approach has two main aspects. One is directing personnel or keeping an eye on things or management by walking around and he or she can correct what is not right or what is cost control breakdowns. The other aspect of traditional control is measurement of performance with that desired or deemed attainable. This is the comparison aspect of the management scheme which is usually considered to have four parts:

- 1) **Establishment of standards or goals.** These can be expressed in different ways, for instance, a budget figure, a percentage figure, or a performance figure such as meals served per server hour. Many industry standards are available for consideration by individual food service operations.
- 2) **Measurement of performance.** There must be some means of measuring performance. Usually it is a quantitative figure, such as a dollar amount, percentage, or standard such as meals served per server hour, that related to standards.
- 3) **Comparison and analysis.** Once the standard or goal has been established and actual performance determined, it is possible to compare the two. The figures will rarely be the same, and the manager must decide how much variance is acceptable and how often the comparisons should be done or over what time periods.
- 4) **Corrective action.** Once a significant variation is determined, the manager must take corrective action. Such action might involve more observation, personnel changes, or different methods of operations, among many others. Or perhaps the standard is unrealistic and must be changed.



The behaviouristic approach is based on the motivation of people towards the best interest of their employer. The employers tend to have good relationship with their employees in the food service industry. Yet they feel that the need for traditional control systems is necessary.

Menu pricing is another cost control tool. According to James Kieser factors that need to be considered in the menu pricing include:

- Elasticity of demand, or whether a change in selling prices will have a significant effect on customer demand.
- Perception of value, or what a customer perceives the meal or food item is worth regardless of what it costs to produce.
- Effect of competition by which competition can hold selling prices down or lack of competition can allow higher prices than normal.
- Whether the operation might try to increase profit by using low selling prices to increase volume or concentrate on higher unit profits with fewer unit sales.

Besides the menu, the other major costs in foodservice industry include:

- a) **Purchasing of food:** As mentioned earlier, the quantity of raw materials ordered should be as accurate as possible since storage and perishability in the nature of food materials can be a cause of loss. Proper inventory of the raw materials in storage will ensure that misuse of stored material doesn't happen. Cost materials till the driving experience and cleaning of the equipments.
- b) **Labour Cost:** Labour cost is another major cost involved in food production. Untrained workers will tend to cause more harm than good for the restaurant. Having a good Human Resources policy will ensure that good workers are employed and retained by the organisation. Recognition of labour/personnel needed for a job and motivation of personnels will tend to cut costs.

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## 14.8 COMPUTER APPLICATIONS IN FOOD AND BEVERAGE SERVICES

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Computers have now become a part and parcel of modern society. Application of computers in Food and Beverages operations help as:

- It improves guest service,
- Streamlines handling of paperwork and data,
- Improves control over day to day operations,
- Generates complete and timely reports,
- Reduces costs of paper supplies,
- Increases sales revenue,
- Increases employee productivity,
- Reduces clerical staff,
- Reduction of repetitive tasks, and
- Helps in maintaining current sales and expense data on file.

### Selecting a Computer System

You should take your time and consider carefully all available options before making a computer-investment decision. Some catering executives suggest that you let the following rules guide your decision.

- 1) Never be the first user of a computer system. The first user usually is placed in a high-risk position,
- 2) Avoid purchasing or leasing a computer system from a firm that has many large clients, unless you are one of them. The largest users will receive priority service from the computer firm,
- 3) Before buying a system, always observe someone else using a similar system at a similar hotel property. Interview the users and seek their opinions,
- 4) Decide specifically what you want the system to do for you. This tells you the type of software you will need to purchase or rent,
- 5) Once the software is selected, look for the appropriate hardware. Be certain that the hardware is compatible with other computer systems used at your property. If possible, never select hardware that requires you to take data from one machine, reformulate it, and enter it into another machine. Data re-entry tends to reduce significantly the benefits of computerisation, and
- 6) Select an adequate computer-service firm. The firm should provide sufficient training and technical backup. The company should have a "help hotline". Furthermore, the firm must be able to adapt the standard software to coincide with your property's overall system.

A good back-up service is important even if the hotel property has computer people on staff. Many on-site computer people are front office oriented and may find your department perplexing.

#### Computer Uses

Software available to the food and beverage industry can be purchased to perform the following tasks:

- 1) Desk-top publishing for menus, brochures, and other similar promotional materials,
- 2) Sales analysis,
- 3) Bookings analysis,
- 4) Cancellation report,
- 5) Group-booking log,
- 6) Daily tracer-list printout of current and previous clients,
- 7) Sales-call report,
- 8) Group-profile sheet,
- 9) Banquet event order (BEO),
- 10) Function resume,
- 11) Lost-business report,
- 12) Pre-function sheet,
- 13) Catering contract,
- 14) Daily event schedule,
- 15) Forecast,
- 16) Daily function-room schedule,
- 17) Work schedule,
- 18) Room layout,
- 19) Space management,

- 20) Link to outside suppliers and service contractors,
- 21) Payroll processing,
- 22) Recipe costing,
- 23) Menu pricing,
- 24) Inventory management,
- 25) Recipe-nutrition analysis,
- 26) Invoice control,
- 27) Product-cost analysis,
- 28) Payroll-cost analysis,
- 29) Equipment scheduling,
- 30) Word processing,
- 31) Time clock,
- 32) Production schedule,
- 33) Break-even analysis,
- 34) Menu planning,
- 35) Tip reporting,
- 36) Tip allocation,
- 37) Server analysis,
- 38) Stock requisition,
- 39) Department-by-department comparison,
- 40) Open-guest-check report,
- 41) Cashier analysis,
- 42) Communication with other hotel departments,
- 43) Link with corporate headquarters,
- 44) Billing,
- 45) Inventory reorder, and
- 46) Yield management.

Thus, the use of computers in the Food and Beverages sector is on the rise. Computerisation has certainly made things easier for all concerned.

2) Discuss traditional types of food delivery systems.

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3) List factors to be considered while purchasing equipments for your restaurants.

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## 14.9 LET US SUM UP

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Hospitality industry is known for the quality of food produced and managed through its outlets. We have a variety of food and beverage operations designed to meet the demand of the consumer with diverse needs. It also depends upon the type of outlet you intend to set up. Menu planning will be one. Once menu planning is accomplished it is vital to complete the range of products on menu. Besides, equipments used for food preparation should be hygienically maintained. Minimum of human touch shall be allowed so on to minimise the contamination of the food. Without beverages foods are incomplete. Beverage, therefore, must be planned in line with kind of food been served. Like in any other industry application of computers have revolutionised the food and beverage operations to such an extent that without computers operators feel handicapped.

Besides the operations listed in these Units, today, the hotel industry needs specialists in the areas of sales and marketing, finance, HRD, events and conferences, etc. For this you have to go through the other MTM courses.

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## 14.10 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer Sec. 14.3.
- 2) Refer Sec. 14.4.
- 3) Refer Sec. 14.4.

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## UNIT 15 MANAGING HOSPITALITY OPERATIONS: UNORGANISED SECTOR

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### Structure

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Types of Hospitality Organisations
- 15.3 Features of Services Rendered in This Sector
- 15.4 Positioning and Promotion in Unorganised Sector
- 15.5 Pricing Strategies of Unorganised Sector
- 15.6 Let Us Sum Up
- 15.7 Clues to Answers

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### 15.0 OBJECTIVES

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After reading this Unit you will be able to explain the:

- a) role of unorganised hotel sector;
- b) costing and promotion in this sector; and
- c) services provided by unorganised hotel sector.

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### 15.1 INTRODUCTION

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In the previous Units, you have been told about various functions of hotels but even today hospitality operations have a large proportion which is not yet organised or categorised. This section of hospitality industry has no grading. They do not follow exclusive marketing plans or the operational functions as is done by the hospitality organisations in the organised sector. However, because of their significant role, the unorganised hospitality sector needs proper introduction to the people of the hospitality as well as travel industry.

In this Unit, you will learn about various outlets of hospitality organisations in the unorganised sector and their operational process. The operations of unorganised sectors are as structured as that of organised sector.

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### 15.2 TYPES OF HOSPITALITY ORGANISATIONS

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The demand for inexpensive lodging has primarily given rise to the over increasing size of unorganised sector of hospitality industry. The number of unorganised hotels and rooms are three to four times than organised sector in Indian hospitality industry. Their prime types can be classified as:

- 1) **Hotels owned by individuals:** According to the last census of 1990 conducted by the Department of Tourism, Government of India, there were approximately 11 lakhs such unorganised and unapproved units in India who were supplementing the handful of hotels registered in organised sector.
- 2) **Guest Houses:** Government run guesthouses offer inexpensive accommodation and at times free accommodation to the government employees.
- 3) **Youth Hostels:** These provide travellers with overnight lodgings at rock-bottom prices. Facilities are extremely basic guests have to provide their own bedding, use a communal washroom and prepare their own meals – yet youth hostels remain popular with students and other travellers with limited budgets.

- 4) **Mansions:** are private homes that have been converted into guesthouses. They offer meals and lodging in an informal family atmosphere. Found primarily in Europe and Latin America, they are usually less expensive than hotels of comparable quality.
- 5) **Bed and Breakfast:** accommodations are available throughout the British Isles and the idea has recently caught on in the United States. Bed and breakfast guests can expect a full breakfast, a comfortable room and a shared bathroom.
- 6) **Resort Condominiums:** a comparatively recent addition to the industry's product line, offer an alternative to hotel accommodations in Florida, Hawaii, Colorado and other popular vacation areas. Condominiums are individually owned residential units under common management within a multi-unit project. Owners often use them for vacations and rent them out the rest of the year. Condominiums provide apartment-style accommodations, with kitchen facilities, and recreational amenities either on-site or nearby.
- 7) **Time Sharing:** The concept of time sharing was introduced first in Europe, then spread to the United States in the mid-1970s. It differs from the condominium concept in the sense that an individual does not own a complete unit but shares ownership with several other people. Each owner buys a vacation segment (usually two weeks) for a guaranteed number of years. Segments are scheduled so that only one owner uses the property at a time. Some time sharing companies allow clients to exchange segments with people.

The above classification of accommodation establishments is based on the range of facilities and the quality of services that these establishments offer to its customers. But many-a-times the facilities overlap and thus the classification becomes difficult. Nevertheless the broad classification remains the same.

These various establishments follow the same process of operating the departments, like, the F&B division, front office-cum-reception, housekeeping and maintenance. Only the strength of the employees varies. At times in a guesthouse, one cook would be preparing all types of food and front office is most of the times managed by the owner to give a personal touch. Thus, daily meetings can be held so as to provide solution to the problems being faced by the operational departments since the owner is constantly available in the establishment. Although the style of running the business remains the same, special emphasis needs to be given to the promotion of the place/establishment and in taking care of customers to ensure both repeat customers and word of mouth publicity.

### **15.3 FEATURES OF SERVICES RENDERED IN THIS SECTOR**

The services being provided are similar to the ones in the organised sector but in smaller scale. This is so since the properties are often small and family-run. A few identifiable features of these properties are: (Source: "Hospitality Marketing", Neil Weame and Alison Morrison)

- **Relatively ease of entry.** The capital investment required is lower than in many other industries, specialist knowledge and qualifications are desirable but not a prerequisite, and there is no compulsion to join trade or professional associations or similar organisations which have codes of practice, such as, consumer protection schemes, etc.
- **Market demand is highly diverse.** Market demand is highly segmented, and many of the segments do not lend themselves to satisfaction by standardised corporate properties. As a result, this diversity of demand is often best satisfied by a wide range of small establishments offering a wide variety of locations, quality ranges, physical facilities and special interests/activities to niche markets.
- **Consumer satisfaction.** The nature of hospitality provision is such that the small establishments may be better suited to respond quickly to customer needs and expectations, in a highly personalised, flexible environment. As such they are well positioned to provide specialist services which have the potential to add quality, variety and authenticity to the products offered to the customers.
- **Economic viability.** These small, often family-run business units can be economically viable in a limited, specialised or local marketplace, where there is often not enough profit for large

businesses with their high overhead costs. As such, they have been described as the equivalent of the 'corner shop'. It occupies a niche, is convenient for the local markets, is usually run by local people, offering a limited product range, but nevertheless enjoys strong customer loyalty.

These identifiable features are not always true. Nevertheless, it becomes imperative for the establishments in the sector to put in a little more effort to entice guests and keep them. A few ways of doing so can be summed up as below:

- 1) **Friendly attitude.** In a small establishment, the attitude of the staff and the owners is rapidly conveyed to the customers, letting them know that they are wanted and that their custom is appreciated. Warmth and friendliness is the basis of hospitality, and it is one ingredient that will make the difference every time, between one place and another and whether people will return or not.
- 2) **Being greeted by name.** In a small community or in a close knit town, it should not take long for management and staff to learn their regular customers' names. Nothing says 'we appreciate you better' than a friendly greeting by name.
- 3) **Welcome the strangers.** The person who enters the establishment for the first time may only be someone passing through, but more often he or she will be a new customer who has come to look the place over. The major fault with many local hotels and pubs with regular clientele is the suspicion and reserve which is the first impression given to the stranger. Management may not be able to change the attitudes of the locals who often give the newcomer an uncertain 'once-over', but staff and management should always counter this by an effusive welcome followed by introductions to the more loquacious regulars.
- 4) **Prompt attention.** Feeling wanted is about getting prompt attention. If the place is busy, there is still time for a greeting and an acknowledgement that the customer will be looked after as quickly as possible.
- 5) **Interest and care for the customer.** The majority of owners are genuinely interested in their guests and pride themselves on the warmth of welcome, interest and care for the customer. Hosts are usually local people with good knowledge of the area, so they can advise on all tourist information requirements. Furthermore, the direct contact that the owner has with the guests means that he or she can rapidly respond to the individual needs and wants of each guest. Every 'transaction' with a customer should be regarded as a unique experience.
- 6) **Customised services.** The showing of interest and care for customers can be extended to another dimension, when special things are done that are personalised. This is the age of customisation and individuality, and here is a good example of what is meant.
- 7) **Care for children, the aged and disabled.** 'Look after the ones I love and I'll love you back' — that is the attitude of the majority of guests. Having high chairs for young children, cushions for the aged and infirm, child play areas, baby changing facilities, special meals for kids, diabetics, vegetarians and some religious faiths, facilities for the disabled and general concern for their well-being. There are dozens of ways of telling customers that they, their friends and family members, whatever their needs are wanted and appreciated.
- 8) **Notice boards, advertising space.** A notice board is always a focus of attention for locals and visitors. Again, providing this no-cost facility for the people is appreciated. It can be used for advertising local businesses, upcoming special events, local tourist attractions and activities.

The smarter establishments should understand that they may be way back in providing five star facilities to the guests but they can always provide best of the services and win guests for life.

## **15.4 POSITIONING AND PROMOTION IN UNORGANISED SECTOR**

Positioning and promotion become very important in the unorganised sector. As you know positioning one's establishment helps both the establishment and the guests since it helps the establishment in reach out to the clientele/guests it wants to and it also give the guests an idea of the

services it provides. Thus, an 'identity' created and sustained through proper promotion plays an important role in the unorganised sector. The Positioning or creating this identity is achieved through proper promotion via information feeds to different sources of media and promotions. According to **Hospitality Marketing** by Neil Wearne and Alison Morrison, information feeds are statements which help to position an establishment. The main forms are:

- **The physical presence of the place, where it is and how it looks from the outside.** How it is signed, painted, decorated where it sits in the street, the buildings or businesses which surround it, the image of the street, the town and the people who live or work in the vicinity. These are all tangible factors that contribute to the imagery which helps create a position.

First impressions are said to be lasting. Many award-winning hotels and restaurants are located in the most unassuming buildings. On the other hand, the grandeur of some striking and highly publicised hotels masks the disappointing and sometimes over-rated service within. Nevertheless, it is easier to achieve the desired market position by looking the part.

- **The interior design layout, fittings and décor generally are a natural follow-through of the first impressions created by the building exterior.** Ideally, one complements the other in achieving the desired results of creating virtual impact.
- **The recommendations – the pass-on value of word-of-mouth advertising – are possibly the strongest means of gaining a hold in customers' minds.** Most people listen to opinions and are considerably swayed by what they hear, generally believing the worst aspects but being heartened when they hear something good being said about a place.
- **Publicity and the public opinions generated by the publicity are another powerful means of creating a position for a property.** A good review by a critic is one way, but publicity can also be generated by media reporting of events and people staying or going to a place. This is why many large properties like to have visiting celebrities stay, even offering ridiculously cheap rates for the privilege.
- **Advertising presents the best opportunity for a property to directly convey the position it wants to occupy in people's minds.** Positioning can be achieved by a phrase, a pictorial image, brilliant copy and memorable music in the case of electronic media.
- **The property must always deliver what it has promised; otherwise the advertising is nothing more than a very expensive and useless gesture which ultimately will fool no one.** Advertising people use the term 'positioning strategy' to state that they intend to achieve their position objectives.
- **Brochures and all the collateral material used by a property to promote its facilities are excellent means of conveying a property's position to would-be customers.** The products and facilities they describe raise the hopes and anticipation of customers. They are indicators for guests and travel agents alike that comfort and service will be provided.
- **The attitudes and appearance of the staff, the service performances and attention to detail are always the lasting means of creating an impression of a property.** If nothing else, these matters are vital for achieving a position in people's minds. The edifice may be crumbling and the interior décor can be bad, but once inside and treated to an outstanding service performance the rest will be forgiven by the customers.
- **The prices and value offered are some of the simplest ways of positioning an establishment.** Both management and customers use them to position a place as being either expensive, moderate or inexpensive. Whatever the price positioning, the place must represent value for money.
- **The ambience – music, noise, smell and generally activity of an establishment – positions it as being comfortable, popular, busy, noisy, elitist, or whatever.** Care is necessary with ambience to make sure that it conveys a perception which fits with the desired positioning.
- **The people who appear to patronise the place will contribute to its positioning.** A place will invariably attract customer groups which fit with the strategic positioning provided by other information feeds. Most people like to be with, and associated with others who are like themselves and belong to the same socio-economic class.



- The name, slogan, symbol or logo which represents it should be a means of summing up the desired position for a property. Designers frequently get carried away when designing a corporate logo or a symbol, depicting God knows-what at times. If a symbol or slogan is to work for the property, it must create an image which fits with what the place actually is and does.

While positioning one's establishment, one should remember to highlight the special services of the establishment. For example, a motel needs to stress on its parking space while a guest house may stress on the fact that they have guests staying over for a long period of time and so on. It is very important that while promotion one does not oversell or undersell. Overselling would lead guest disappointment with the services while underselling would mean less business and under-utilisation of the facilities and services. In the case of unorganised sector, word of mouth or oral publicity plays a major role. However, with IT revolution the small units are also using the internet by putting up their websites.

## 15.5 PRICING STRATEGIES OF UNORGANISED SECTOR

'Profit' is the mainstay of any business and unorganised hotel sector is not an exception. It is the duty of the manager to ensure financial feasibility of the property and for this the most important part is pricing the room in such a manner so that it helps your business to move forward. For it strategic planning is required for calculating the Average room Rate or Average Daily Rate. It is one of the key statistics by which a hotel's performance is measured and monitored. Considering that room usually contribute the bulk of the operating profits of a hotel – no matter of what type and where it is located – ADR – together with percentage of occupancy is considered to be a barometer of a hotel's performance. Therefore, you shall constantly strive to achieve the best rate in the market vis-à-vis competition and improve upon it year after year.

ADR can be calculated by dividing total room sales by rooms occupied, in other words, it is the weighted average room rate of all the rooms sold on a particular day, i.e., if you take an example of 500 room hotel, i.e., with 15,000 room rights a month. ADR would be calculated in the following manner:

Table 1: Calculation of ADR

Type of Business	Room Rights Sold	Room Rate	Room Sales
Individual travellers	7500	\$100.00	\$750,000.00
Tour Groups	4500	\$70.00	\$315,000.00
Total	12000		\$1,065,000.00
ADR		\$88.75	

ADR is an extremely critical objective for all hotel managers. However, in comparison with ADR, YPR (Yield Per Room) gives a more realistic picture because it is calculated by dividing room sales by available room rights instead of the occupied room rights. Since per cent of occupancy and ADR are somewhat inversely related in many situations the YPR which combines the effects of the two, is a better statistic to rely on for monitoring operational performance. Table 2 will further illustrate their comparative computations:

Table 2: ADR versus YPR

	Hotel A	Hotel B
Number of Rooms	500	500
Available room rights in a month (30 days)	15,000	15,000
Occupancy percentage	70	85
Occupied room rights	10,500	12,750
ADR	\$90.00	\$79.00
Room Sales	\$945,000.00	\$1,007,250.00
YPR	\$63.60	\$67.15

Whether you follow the method of ADR or YPR the affect of market conditions, political, economic, destination attributes, type and location of the hotel, competition and market mix while most of these

factors are beyond the control of operating managers, pricing the room is one factor that is very much within management control. Even a minor change in the prices can seriously impact the ADR or YPR and finally the profitability of the hotel.

Hotelkeepers have been making room rate pricing decision for years. You have already read in your previous courses that the essential elements of any price theory include demand, competition and cost. These elements become all the more crucial for small hoteliers who act a unorganised sector in hospitality industry. Their major concern is achieving higher occupancy percentage so that profits can be maximised.

**Demand:** Demand determines the highest rate that can be charged. A key point here is the purpose of purchase, or for our industry, the purpose of the trip. All kind of travellers are travelling for all kinds of reasons. "What the market will bear" will vary tremendously depending on the market. Thus, the particular target market(s) of a hotel needs to be clearly defined when making a pricing decision for the target market.

Demand from any identified target market will fluctuate. Business travel tends to be heaviest in the fall and spring, and not surprisingly, hotel rates for this market peak during these time periods. Education associations like to meet during the summer months, when school is out of session. This market is also fairly price sensitive. Thus, hotels targeting to business travellers in the fall, winter and spring, may target the education segment as a secondary market in the summer, at lower rates.

In short, demand determines the high end of a rate structure, depending on who the target market is and the price sensitivities of that market. Yet this is just a start. Competition in the marketplace and the costs incurred by hotels also have a major impact on final pricing decisions.

**Suppliers:** Supply is also an important factor to be assessed because without assessing it you wouldn't be able to determine whether your product is required or not. In other words, if there is already oversupply of room in unorganised sector then you shouldn't plan it if there is some requirement then you should plan it. As on May 2002, records of FHRAI reveal the status of unapproved hotels/room regionwise in India:

Regionwise Status of Unapproved Hotels/Rooms

North		East		West		South		Total	
Hotel	Room	Hotel	Room	Hotel	Room	Hotel	Room	Hotel	Room
92	3842	54	2024	172	6012	110	5186	428	17064

**Competition:** Competition can be viewed from both direct and indirect perspectives.

- Direct competition are those hotels who compete for similar target markets. Sheraton, Marriott, and Hyatt Hotels, for example, all compete on a national level for the upscale business traveller including independent business travel, corporate business travel, and convention business travel.
- Indirect competition refers to the broad range of alternatives available to travellers. Vacationers have the option of staying with friends and relatives, camping or simply making day trips close to home. In other words, they have an option not to purchase a hotel room for overnight accommodations. The same holds true for business travellers. They, too, have the option of day trips only, or shortened trips of a 1-2 day duration.

**Cost:** There are essentially two kinds of costs for any business enterprise:

- The inherent fixed costs associated with 'being' in business, i.e., those costs that remain the same regardless of business volume (depreciation, administrative salaries, and so forth).
- The variable costs associated with 'doing' business, i.e., those costs that vary with business volume (materials, direct labour, and so forth).

Although there are a number of semi variable and semi-fixed costs associated with your business, the purpose here is to distinguish between short-run costs of doing business and the long-run costs of being in business.

The short-run or variable costs for hotel guest rooms are largely housekeeping labour, bathroom amenities, laundry, and the like. It is essentially the cost of an occupied room.

It is, however, the variable costs that are relevant to the pricing decision. These costs of simply doing business need to be covered, and thus, are the minimum thresholds for room rate pricing decisions.

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## 15.6 LET US SUM UP

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Demand, competition, and cost all play an important role in the hotel room rate pricing decision. Demand sets the ceiling and costs set the floor. Competition, or supply relative to demand, helps determine more precisely how high or how low a price will be. Positioning, or marketplace perception, sets the upper and lower limits of the price range to be offered. Some hotels may have wider ranges than others, depending on the desired position to be achieved.

Most importantly, pricing is a marketing decision. This is not to imply that only the marketing department makes pricing decisions. Pricing decisions are made every day in the reservation and front office departments. What it does mean is that the customer is the one who really makes the decision. And it is the job of marketing-minded hoteliers to find out just what the customer really wants and what price they are willing and able to pay.

It is a tenet of marketing that the customer is always right. The hotel customer is always right, too.

Although all organisations are different, the elements of planning and control functions are common. You have read about the financial management and accountability in MFM-5. You know about the various financial options and constraints that help a business to move forward or holds it back. Strategic planning is what makes the broad resource allocation decisions, identifying the activities that are going to be undertaken in near future. It should also outline a more detailed day-to-day operation as well.

The most important part is budgeting. The process of budgeting is fairly familiar to most managers but it varies from one organisation to the other. The growth of the unorganised sector in the hospitality industry has been tremendous and they will continue to play a major role in meeting the needs of low and middle budget tourists.

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## 15.7 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer to Sec. 15.2.
- 2) Refer to Sec. 15.3.
- 3) Refer to Sec. 15.5.

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## SUGGESTED FURTHER READINGS

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