



**UNDERSTANDING TRAVEL & TOURISM – Subject Material for Travel Internship
Program**

Tour Operators Manual
By
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1 INTRODUCTION

This manual was designed as a reference and toolkit accompanying a training course for The Royal Escape .The course and these materials should help new inbound tour operators gain a better understanding of:

- 1) The structure of the international travel industry, trends in specialty travel and new product demand.
- 2) Market segmentation, using specific information on traveler interests, motivations and expectations, identifying potential market niches and buyers.
- 3) Steps of new product development in organizing and selling new high value niche market tourism products.
- 4) Sales and distribution channels, and developing strategies for their effective use.

1.1 The Tourism Business

The role of the tour operator is to essentially sell accommodation, transport, activities and transfers in a combined all-inclusive package. The Tour operators' product is different to that sold by other businesses in many ways and understanding this will go a long way to being successful.

1. What you are selling is an intangible product that must be bought blind because it cannot be seen, touched or experienced by the consumer before use. Instead, tour operators prepare brochures which represent their products in words and pictures. These brochures cannot accurately give an impression of how any one particular client will experience the product, so sellers are often described as selling dreams. Buying a holiday is like buying a bar of chocolate; only memories are left after the product is consumed.
2. You are selling a discretionary product, meaning that the clients do not have to buy it in the same way that they do food or fuel. When finances are tight or during a recession, they may choose to spend their money that would have gone on a holiday on other consumer durables such as a compact disc player or new washing machine.
3. It is not a heterogeneous product. You could buy a refrigerator like your neighbor's and expect it to look identical and operate in exactly the same way, but holidays are by their very nature varied. Anyone coming to Croatia on a food and wine tour will have a different experience whether they come in July or

October, even if they went with the same operator, stayed in the same hotels and ate at the same restaurants.

4. It is a perishable product. Holidays are only saleable up to the date of the flight departures, especially if you organize fixed date trips.

5. Package holidays suffer from inseparability. The behavior of everyone involved in the product, from the hotel porter to the vehicle driver can have an effect on the outcome of the experience. If we purchase a washing machine, our enjoyment of the product will not be reduced by an irritating plumber who installs it.

2 STRUCTURE OF THE TRAVEL TRADE

The travel industry is highly structured, and businesses within the industry tend to specialize in one or a small number of functions driven by their core business. The structure of the travel trade is largely driven by how consumers travel and how they identify and select the travel services they purchase. As we review the most widespread types of businesses in the travel trade, it is useful to keep in mind some common distinctions made when describing travel companies and their markets.

2.1 Definition of Terms in the Travel Trade:

Inbound and Outbound:

When a company focuses primarily on serving travelers coming from other destinations, we refer to them as inbound operators. They generally offer services for clients coming from other countries or regions. When a company focuses on serving travelers in their domestic or regional market seeking to travel to foreign destinations, we refer to them as outbound operators.

Operators and Resellers:

Operators are companies that supply their own services or products, while resellers are marketing and selling the products and services of others, usually charging a mark-up or taking a commission. In practice, many travel companies do both. A tour operator will offer many of its own services but may also sell services of other suppliers as part of a package. A travel agency is mainly a reseller, but may for example employ its own guides or translators and sell these services directly.

Package Travel, Group Travel, and Independent Travelers (FIT)

Package travel refers to travel services sold as a package, where many services are bundled together for the convenience of travelers who don't wish to spend time making their own arrangements. Package travel may be sold both to group travelers and independent travelers. Group travel refers to package holidays that have a set itinerary and an allocation of seats or spaces. Customers purchasing the package join the group. Independent travelers usually prefer not to travel with a group, unless it is a self formed group. They prefer to have flexibility in their travel arrangements and may have done some research and have specific interests which dictate what they want to do and see on a trip. Sometimes they prefer not make to many advance plans, but in other instances they may carefully plan a custom tour that fits their own interests, working with either a travel agent or tour operator before leaving home.

2.2 Types of Travel Operations

Now we will review the different types of travel operations that are the main players in the travel trade.

Travel Agencies:

Travel agencies are perhaps the most visible companies in the travel trade. Their primary businesses is to resell accommodations, transportation services (including airplane and train tickets, car and bus transfers) individual services including guide and translator services, and package services such as sightseeing tours. Within each agency, there is often a focus on either inbound or outbound trade, with the outbound agencies focusing either on ticketing services and accommodation bookings, or on package holidays.

Outbound Tour Operators:

Outbound tour operators create and market travel products to customers in their own markets that are usually long haul travelers seeking a specific experience in a foreign destination. They may design and operate their own trips, working with partners in the destination, or they may choose trips already designed by inbound operators and simply market these to their own clients. Outbound operators generally have an in depth knowledge of what their customers are looking for and what their travel requirements are, and are thus able to design travel products that meet those needs.

Inbound Tour Operators:

Inbound tour operators create and market travel products and services to customers mainly in long haul markets. Customers in countries far away generally do not have in depth knowledge of a destination or the service providers in that destination, may not speak the language, and may not feel comfortable making their own arrangements. Inbound tour operators serve these customers by taking the guess work out of planning a holiday, and may offer experiences that would otherwise be inaccessible to independent travelers making their own arrangements.

Ground Operators:

Ground operators are providers of travel products and services in their own countries or regions. Sometimes inbound tour operators also are referred to as ground operators, but the term is usually applied to companies that do not actively market their services directly to overseas customers.

Local Service Providers:

This term is used frequently to refer to ground operators, but more commonly it is applied to operations that provide local services such as accommodations (hotels, guest houses, families offering home stays), meals, local guides, equipment rental, cultural performances, and other specific services. Local service providers may include museums, parks, ferry lines, or domestic airlines. Often, there is little distinction made between ground operators and local service providers, and the two terms may be used interchangeably.

Travel Resellers and Portals:

Travel resellers and travel portals offer consumers the convenience of being able to review and compare many travel options in one catalog or on one website, and make it easy to find travel packages, to book them, and to pay for them. Most resellers and portals earn a commission from the operator whose package is sold via their catalog or website, and they may resell trips from both inbound and outbound operators.

3 MARKETING

A successful business will need to develop suitable products for the market, price them correctly, promote them effectively, distribute them to the final customer and evaluate the results of the total program. Then the whole process starts again. This is marketing. It is not solely attending travel fairs and making brochures. These are just a small part of the field of promotion, which is only a part of the marketing process.

A general definition for marketing could be as follows:

“Marketing is the management function which organizes and directs all those business activities involved in assessing customer needs and converting customer purchasing power into effective demand for a specific product or service to the final consumer or user so as to achieve the profit target or other objective set by the company or organization.”

3.1 Marketing Plan

A marketing plan must be supported by extensive, research-based data on markets, consumers and the environment. The plan can only be written once this research has been undertaken. Just because you think something will sell, doesn't mean that people will buy.

This is no defined format for a marketing plan. There are big differences between organizations and these differences have to be reflected in the plan. Firstly, the plan has three major areas that should be considered after gathering your research.

- Objectives – what are you trying to achieve?
- Strategies – how are you going to achieve it?
- Tactics – what are the actions you will undertake to do all this?

The contents of a typical marketing plan could include the following:

1. Introduction & Background

- Introduction
- The current position
- Objectives
- Relationship of Marketing Plan to overall Business Plan

2. The Marketing Strategy

- Marketing
 - Company Marketing
 - Research
 - Promotion & Communication
 - Pricing
 - Corporate Image
 - Market segments & Distribution Channels
 - Product development
-
- People

3. Implementation Strategy

- Trade Fairs
- Website & Digital Media
- Printed Media
- Direct Mail
- Personal Communications
- Advertising
- Membership

4. Budget

5. Evaluation

The marketing plan serves several purposes.

1. It is a managerial control document which aims to ensure that clear goals and targets have been established in order that the organization does not drift about.
2. It provides a detailed inventory as to how the marketing budget is to be spent and why it has been allocated in the ways set out. All sales and revenue targets must be identified and justified.
3. It provides an agreed basis of action that can be circulated to every individual

involved in its implementation. As a result, it acts as a mechanism for ensuring that everyone is clearly identified with marketing aims.

4. It provides a set of benchmarks against which marketing programs can later be evaluated and refined for the future. Without explicit targets, evaluation of marketing efforts is impossible.

3.2 Being Competitive

A tourist wanting a general tour of Himachal, there are over XX tourism companies and travel agencies offering tours throughout the season. Why should the Tourist Company or tourists choose you? So how do you compete? Competitive advantages are built up through competitive activities, orientated towards doing the same things that rivals do, but better, and also doing different things to other competing companies.

Imagine that you are purchasing a new computer. There are lots of similar ones available, all offering the same specifications – size of disk space, speed of operation, availability of accessories, etc – the comparative advantages. So how do you choose which one to purchase? You focus not only on price but length of guarantee, reliability of after-sales service, reliability of retailer and ability to upgrade the computer – the competitive advantages.

$$\frac{\text{Value}}{\text{Effort}} = \frac{\text{Services Facilities}}{\text{Cost}} + \frac{\text{\& Experience Gained}}{\text{Effort Required}}$$

In the past, 'value for money' has often been a term used when purchasing a service – measuring the diversity of services or quality of services against the cost for those services.

However, new theories suggest that this does not fully reflect a tourist's way of thinking. As the diagram above shows, the tourism services offered have to be combined with the feelings and sensations obtained from undertaking travel with your company. These then are measured against not only the cost of the trip but also against the efforts the tourist had to go to arrange and undertake the trip and the obstacles or deterrents they faced. If the services were poor, the experience unrewarding, the price

high or the trip difficult to organize or undertake then you will not be a competitive business – no matter how wonderful your trip was presented in a brochure.

To compete successfully, your business has to offer to the market greater value than your rivals for the same effort on the part of the tourists – or the same value for less effort.

3.3 Marketing Research

Marketing research is the design of a plan for the collection of data, the purpose of which is to answer a given question. Such a question could be “Which country’s outbound tourists offer the best opportunity for long term sustainable growth?” or “Who is my biggest competition?”. Answers to these questions are vital for understanding the market within which your business operates.

Research can fall into two areas:

- 1) A descriptive role whereby the aim is to focus on what is happening by concentrating on the collection of factual data to provide a picture of the current situation, or
- 2) An analytical role by shifting the focus to why things are happening in an attempt to explain the situation by seeking out reasons.

There are various steps in undertaking research.

Identify and define the problem – Before beginning the task of gathering information, it is first necessary to identify the problem for which research is required. You do not want to start gathering information only to find later that the information does not answer the questions you have.

Investigate available sources – You do not want to start collecting information if that information already exists. You should seek out information which is already available.

Determine research plan – Once all available sources of data have been evaluated, a plan is formulated to identify what further information is required and how it should be collected. This will involve generating hypotheses to be tested and methodologies. Methods could be interviews, surveys and observation.

Data collection – Data should be collected based on the methodology outlined in the research plan.

Data analysis – Based on the information collected analysis techniques will differ according to whether the information is quantitative or qualitative.

Present research results – The information should be tabulated and interpreted so that recommendations can be made regarding the appropriate course of action to take. When looking for secondary data (data from sources other than your business), sources could include government agencies, trade associations, trade press & magazines, subscription sources, the press, internal company records, international organizations.

In order to ensure that your objectives are appropriate and attainable, you need to:

1. Know what you want to sell or communicate
2. Know your target market
3. Quantify your objectives in order to set a goal
4. Ensure your targets are achievable
5. Prioritize your objectives

4 MARKET SEGMENTS AND MARKET CHANNELS

4.1 The Marketing Process

- Market Segmentation
- Develop Consumer Profile in each Market Segment
- Determining the Attractiveness of each Market Segment
- Selecting Target Markets
- Develop Positioning Strategy for each Target Market
- Develop Marketing Mix for each Target Market – the 4P's!

The Purpose of Market Segmentation

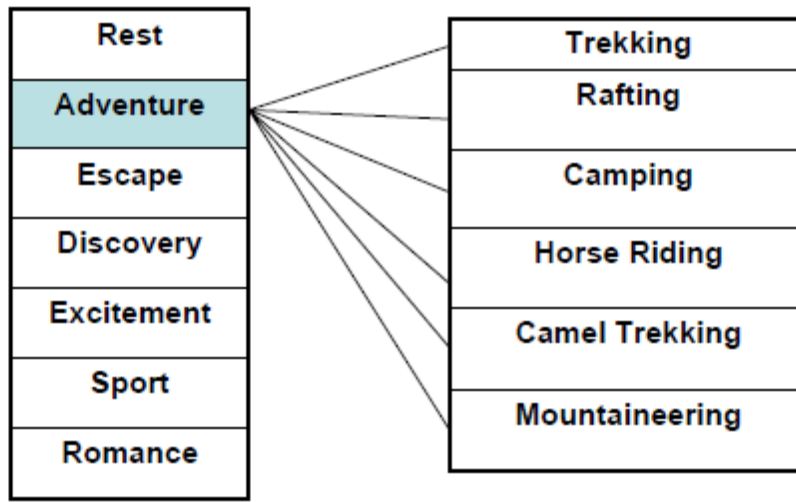
“To facilitate more cost effective marketing, through the design, promotion and delivery of purpose-designed products, aimed at satisfying the identified needs of target groups”

- To develop the product to satisfy specific needs
- To identify where and how to sell the product
- To judge if and how to mix different segments Together.

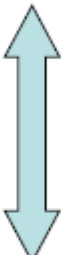
Methods Used To Segment Markets

- Purpose of Travel
- Buyer needs, motivations & benefits sought
- Buyer or user characteristics
- Demographic, economic & geographic characteristics
- Psychographic characteristics
- Geodemographic characteristics
- Price

Purpose of Travel – Leisure, Recreation & Holidays



Classification of Tourists

Independent Travelers  Mass Travelers	Drifter Explorer	Adventurer in search of novelty, avoids organized travel and tourism
	Individual Mass Tourist	Individual travel arrangements made to destinations which are better known, more familiar
	Organized Mass Tourist	Package tours, seeks familiarity, organized events, comforting group

Buyer needs, motivations and benefits sought

- Meet and mix with people
- Try new foods
- Adventurous activities
- New environment
- Luxury
- Different culture

- Relaxation
- Entertainment/Nightlife

Buyer or User Characteristics

- Frequency of Use
- Visitor Expenditure
- Brand Loyalty
- Price
- Convenience
- Availability
- Information sources
- Booking Processes
- Consumption Patterns

Demographic, Economic and Geographic Characteristics

- Age
- Sex
- Occupation
- Social Class
- Income
- Place of Residence
- Life Cycle

Psychographic Characteristics

- Seek Adventure
- Enjoy Risks
- Challenges
- Comforts
- Active Holidays
- Culture Seekers
- Seek Open Space

Developing a Positioning Strategy for each Target Market

- Product or company positioning is the process whereby the company decides upon the image it would like consumers to have of its product or itself
- A strategy is then designed that will lead to this desired image being established in the minds of consumers

Developing a Marketing Mix for each Target Market

- Product
- Promotion
- Price
- Place – MARKET CHANNELS

5 What is a Market Channel?

- A Market Channel is “Any organized and serviced system, created or utilized to provide convenient points of sale and/or access to consumers, away from the location of production and consumption, and paid for out of marketing budgets.”
- A pipeline through which a targeted volume of sales will flow.

Roles of Marketing Channels

- To extend the number of points of sale or access, away from the location at which services are performed or delivered
- To facilitate the purchase of products in advance of their production

Functions of Marketing Channels

- Points of sale and convenient customer access, either for immediate purchase or for booking in advance
- Distribution of product information such as brochures and leaflets
- Display and merchandising opportunities
- Advice and purchase assistance
- Arranging transfer of tickets & documentation
- Receiving and transmitting sales revenue to tour operators
- Provision of ancillary services – insurance, etc.
- Source of marketing intelligence for Tour Operators
- Supplement Tour Operators promotional activities
- Receiving and assisting with complaints from customers.

Fixed & Variable Costs of Marketing Channels

- Installing reservation systems, computers, software, staff dealing with enquiries
- Brochure production, distribution, maintaining supplies at point of sale
- Sales promotion incentives aimed at motivating retailers and other points of sale
- Support visits to distribution intermediaries
- Maintaining and motivating a sales force to negotiate agreements with intermediaries
- Workshops organized in support of distributor systems and staff training

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