

Travel Agency Business to E- Business Module B2C – Indian Business Module

S. Vinod Kumar

Abstract:

This paper is dealt with the dynamic changes, what technology has brought to tourism and travel agency business. Technological benefits in the travel agency business. The changes are differentiated and brought to light with micro study in India scenario.

Keywords: Travel agent business, process of travel agent business, types of travel agencies, E-business transformation, B2B business, B2C business in portal

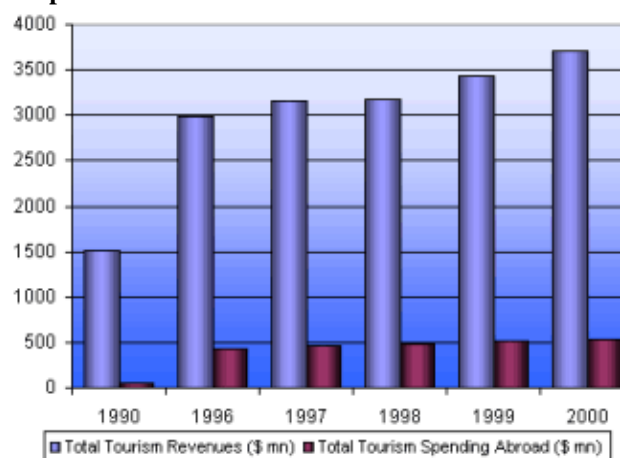
I. INTRODUCTION

Tourism is one of the world's biggest businesses with a turnover as large as that of the other major oil or IT industry. Although, travel has a very long history, modern tourism really started in the fifties with the invention of jet airplanes. It is, therefore, a young industry and the most dynamic industry changing its form to the change of technology in the world. No other industry would have been so dynamic in the world.

Tourism statistics:

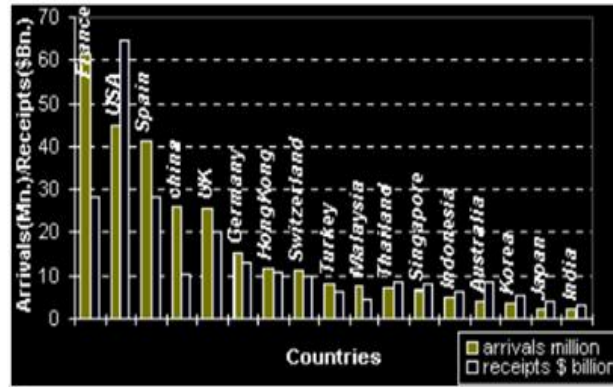
- ♣ Tourism is one of the world's fastest growing industries at present and holds the status of the world's no. 1 industry.
- ♣ The tourism industry as a whole is presently estimated to earn over US\$ 3.5 trillion worldwide.
- ♣ The industry creates a job every 2.4 seconds with every one of those direct jobs creating another 11 indirect ones.
- ♣ Spending on tourism amounts to 5%-10% of total consumer, spending in a year worldwide.
- ♣ India's share of the total market is a pittance at 0.51%. The non-tourist countries like Malaysia and Indonesia get much more tourists than India.
- ♣ However, the average duration of stay of foreign tourist in India is one of the highest in the world. On an average, it exceeds 27 days in the case of non-package tourists and is 14 days in the case of package tourists.
- ♣ Tourism has the distinction of being the third largest export industry after gems and jewellery and readymade garments in India.
- ♣ The Tourism industry's foreign exchange earnings in India are around \$3.2 billion. Tourism is the highest foreign exchange earner if we consider the fact that net value addition in Gems and jewellery is less than 30 % whereas, in tourism it is more than 90 %.

India: Tourism Revenues and Expenditures 1990-2010:



- ♣ It also has one of the best employment multipliers when compared with any other industry in India. It generates maximum job opportunities, as it provides direct employment to 9.1 million people and indirect employment to another 12.4 million. But these statistics do not appear so impressive when viewed in the global perspective and compared with that of other countries shown in the graph below.

Tourists Arrivals and Receipts From Tourism 1996

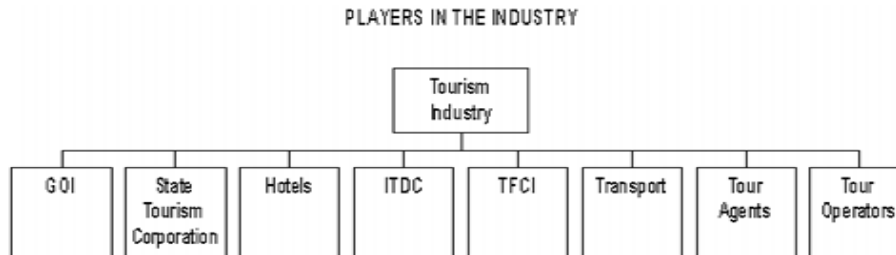


Source:

1. Report, World Tourism Organization - 1996.
2. Study by Mahajan and Aibara, Consultants to the Tourism and Hotel Industry, 1997.

- ♣ Tourism has been a neglected sector in India. Though it was recognized as a priority sector in the Seventh Five Year Plan, hardly anything was done to promote this industry.
- ♣ Though the government has promised to give industry status to tourism, still, budgetary support for this department is a mere Rs. 379 crore. This is despite a total tax collection of about Rs. 2000 crore in 1996 from this sector.
- ♣ The tourism industry currently stands 127th on the list of priorities of the Indian government. It is true that India has yet to reach the prosperity level where leisure activity can be included in the priority sector but, if solving the country's unemployment and foreign exchange problems are on the top of the national agenda, the potential of this industry cannot be neglected.

Some Players:



Some of these players mentioned in the above graph can be explained as follows:

Govt. of India (GOI): The Government is the most important player since the land is owned by the Government and they also have a lot of resources at their disposal in comparison to private players. So, Government has recognized it's important and started with a lot project to increase the tourism promotion and revenue on its GOP.

II. STATE TOURISM CORPORATION

In India, the department of Tourism which is a part of the Ministry of Tourism and Civil Aviation, Government of India can be described as the National Tourist Organization of the country. The India Tourism Development corporation established in 1956, a public sector organization working under the Ministry of Tourism and Civil Aviation, is an initiative taken by Government to promote tourism. At State Level Tourism Development Corporation were stated to promote tourism in different state under the governed of Department of tourism state wise. State Tourism corporation started tourism business in Transport, hotel, recreational activites with the amenities available in the respective state both natural amenities – Mountain, beaches, lake etc and manmade – theme park, parks, fountains etc.

Hotels:

Hotels become one the major promoter of a destination in tourism. If there is no hotel, tourist cannot come and stay in the destination. The Government and private jointed hands in many tourist places and have done a lot of promotion of tourism. In the long run private has invested a lot of money with the benefits and subsidence of the government of india. Many international brands and trade partners like Hyatt, Marriott, Carlson, Taj hotels etc have jointed hands with private owners and Government to invest more in different part of india both the urban and sub- urban areas to promote tourism.

ITDC:

The India Tourism Development Corporation, a public sector organization working under the Ministry of Tourism and Civil Avaition, is also a part of the National Tourist Organisation of india. ITDC, set up in 1956, was entrusted with the management and operation of all Government-owned hotels, motels and other similar properties. In

addition, it offers publicity and consultancy services to tourism organizations, operates an India wide transport network and runs duty free shops at international airports.

Transport:

ITDC, was also engaged in transport business with liners and other means of transport business for the tourist. They have a large fleet of cars / coaches at their disposal, and having the fleet itself is not enough, they need to see that they use best transport for their clients, and provide them a good value for their money, hence they have maintained a separate department taking care of all their transport requirements.

Travel Agency Business: - Tour operator and Travel Agencies Business

Tour operators Business:

Tour operators are also a type of travel agency business who receive guests and handle arrangements in the host country are called 'Inbound Tour operators'. They service the inbound travellers from foreign countries. Those who promote tours to foreign destinations called 'Outbound Tour operators', while those who operate tours only within their own country are called 'Domestic tour operators'.

Travel Agencies Business:

Definition:

Travel agent is a person who helps / guides the person who is willing to travel for business / leisure or any type of travel requirement for which we get commission / transaction fees as his earning out of it.

Types of travel Agencies:

1. Travel Management Company – Wholesalers
2. Travel Agent – Retailers Business

1. Travel Management company – wholesalers

Travel Management Company – Fairly large in operation which supports their customers with all type of travel related services. Basically the service can be broadly classified into two types—(a) Business travel (b) Leisure travel

(a) Business Travel

The specialized travel agencies are in business with corporates only where they cater the business requirement of air travel of domestic, international, rail travel, hotel requirement, visa, leisure package for corporates, passport, and government formalities for travel both domestic and international. The revenue generation for business travel will be from CRS, PLB, transaction fees, hotel commission, other related commissions.

(b) Leisure Travel

The specialized travel agencies are in business with public who want to travel for leisure – Holidays, adventure, Honeymoon, medical and all types of leisure travel services.

To give example – Thomas Cook / Kuoni / Dnata – Emirates Group

Let us go in depth with one of the example – Thomas Cook for more understanding about the business with practical business knowledge of Travel management companies.

Thomas Cook:

In 1841, young Thomas Cook arranged an 11-mile train journey for a motley group of passengers from Leicester to Loughborough. And it marked the beginning of a chapter in history. He went on to introduce a railway tour of Europe. But it wasn't until the early 1860s that he began the travel firm, Thomas Cook & Son, which included tours of the USA. The Company also started operations for military transport and postal services for England and Egypt during the 1880s.

Thomas Cook (India) Ltd (TCIL) is the leading integrated travel and travel related financial services company in the country offering a broad spectrum of services that include Foreign Exchange, Corporate Travel, MICE, Leisure Travel, Insurance, Visa & Passport services and E-Business. The company set up its first office in India in 1881.

TCIL's footprint currently extends to over 231 locations (including 23 airport counters) in 94 cities across India, Mauritius & Sri Lanka and is supported by a strong partner network of 114 Gold Circle Partners and 112 Preferred Sales Agents in over 130 cities across India.

The travel management company is specialized in the following travel services:

- Foreign exchange business
- Group inclusive Tours (GIT) – In bound and out bound
- Foreign inclusive Tours (FIT) – in bound and out bound
- MICE
- Corporate business travel
- Hotel booking and online booking tools
- Visa and emigration formalities
- E- Business – B2B and B2C
- Club membership tours and holidays

2. Retail Travel Agency:

The Retail travel agency is a small travel agency business with 2 to 10 employees that deals with almost all types of travel and travel related services. Basically they depend on the TMC's as their principle and get their service delivery full filled to their clients.

Changes in the basic revenue generation for travel agency business:-

Travel agency business is service oriented business. The basic revenue for this business was wholly commission. Travel agencies were representing their principles like airlines, hotels, cruise liners, transporters and other service providers related to travel. The principles pay the travel agents commission for the service confirmation with them. Initially IATA (International Air Transport Association) was acting as anchor between them and commission structure framed as

- Revenue structure till 1999
- Airlines – 9 percent
- Hotel – 10 percent
- Cruise liners – 10 percent

Change in the revenue for Travel Agent Business:-

Later part of year 2000 to 2001, the IATA with other service providers as airlines withdrew the commission as Zero. This was basically due the fuel crises and recession worldwide in airlines. In India, we have almost 10,000 travel agents appx in India in travel agent business who were all in sack. With the help of TAAI – Travel Agent Association of India and TAFI – Travel Agent Federation of India, the acceptance was done that travel agent will live on the transaction fees based on the travel service provided by them. This transaction fees will be based on the volume and service provided to client.

Sample structure for Demo:

TRAVEL SERVICES OFFERED	UNIT	PRICING
International Tickets - (Economy/Business Class)	Per Ticket	Rs.150.00
Domestic Tickets - (Economy/Business Class)	Per Segment	Rs.40.00
Cancellation-Domestic Ticket	Per Ticket	NIL
Cancellation-International	Per Ticket	NIL
Visa-Local	Each	Rs.500
Visa-Outstation	Each	Rs.750
Medical Insurance	Each	Rs.100
Domestic Railway Tickets-(General)	Per Person Per Sector	Rs.50
Domestic Railway Tickets-(Tatkal)	Per Person Per Sector	Rs.100.00
Hotel Booking	Each	Rs.100.00
E.C.N.R(Emigration Check Not Required)	Each	Rs.500.00
NON-UATP/Credit Transactions		2.00%
Meet and assist services at airports	Each	Rs.500

Due to the above changes in the revenue generation, the total business of the travel agent business has changed including the business module.

Invert of Internet to travel agent Business:-

Tourism is a highly dynamic industry, by the changes and invert of technology to it, several changes took place in the travel industry and travel agent business. The below are listed:

S.no	Travel agent before internet	Travel Agent after internet
1	Communication was big barrier in the business – telephones, telex was the means of communication and error challenge were high	Communication barrier was eradicated. All the documents were easily documented and error level was zero
2	Cost of communication was very high	Cost of communication became cheaper
3	Limited information was available for business	Unlimited information available and business available to all
4	Transparency of business was not clear due to communication challenge	Transparency of business is quite clear and easy for clients
5	Time gap between business and travel was very high	No time gap between business and travel

6	Limited competition and limited transparency in business	High competition and ethical business between customers and service providers
7	Needed a lot of training and fundamentals to do business	Easy and user friendly business
8	Limited business was possible due to communication complexity	Unlimited business with complete utilization of time available
9	Complexity of travel formalities made travel complicated	Internet made travel simple with no ticket or itinerary and less travel formalities
10	Travel was only with limited peoples reach	Today common man travel simple, low cost and hassle free

III. EMERGE OF E- BUSINESS PLATFORM

After the emerge of the internet, a lot change in the business of travel agent. Moreover once the principle (Airlines / Hotels) made the commission level to Zero, the travel agents need to change their survival existence in the market. Travel agent started thinking positively on the few platform of without revenue from the principle. Now customers became the real kings for the travel agents. As the first step travel agents started to trade in the portals than the physical existence.

Platform of changes in E- Business of Travel Agent:-

S.no	Present Existence	E-Business Platform changes
1	Travel Agents need to be in prime area to attract the customers for business and packages	By business in portal the travel agents can exist in every one's house at less cost.
2	Limited customers can be meet in limited time of working	Unlimited customers can be dealt in limited time
3	Publication of brochures and advertisement cost were very high	No publication is required as it can be updated in the portal and it can be reached to more number of customers
4	Running capital is high in physical existence business	More cost effective and can reach high volumes of business
5	More time consuming process and challenges	Very effective and less time consuming as the call center were able to be reached 24/7

Travel agent in Portal:-

Travel agents started to do business in portal. They started to do give airlines ticket, packages, visas, domestic tours and all travel related services in portal. The travel agent business became technology driven business. The customers can issue their own ticket, do their own packages and book hotels on their own in the websites. The physical existence of travel agents started becoming less and customers were able to find their needs satisfied with the portal and call centers. Creating of portal is not a easy job, it need a lot of investments in billons, hence only big players and investors were able exit in the business. Hence there came the need of the Venture capital investor.

Venture capital companies: -

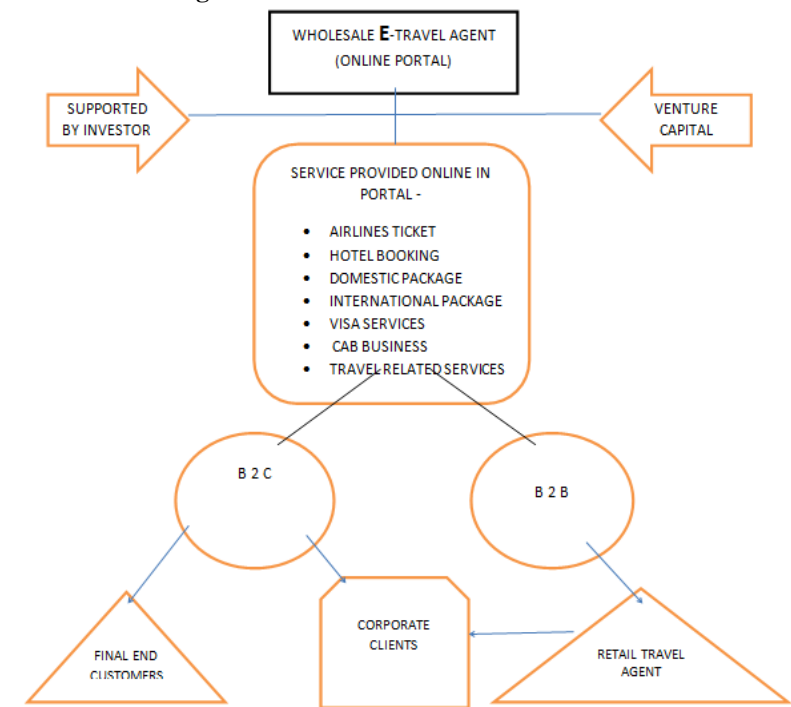
Venture capital companies started investing in the travel agent business and made E- Business of travel agent more profitable and changed the module of travel business to E-Business module. One of the major ventures in India is Sequoia Capital. Sequoia capital in India currently manages funds capitalized at close to USD 1.4 billion and invests across venture, growth, and late stage opportunities. It takes a long-term view on investments and plays the role of an active, value-added partner to entrepreneurs, business families and management teams. Over the past 7 years, Sequoia Capital has invested in more than 70 companies in India including Capillary Technologies, Druva Software, Justdial, Micromax, Mu Sigma, Pine Labs, Prizm Payments, Quick Heal and Zomato . Sequoia Capital operates out of offices in Bangalore, Mumbai, and New Delhi.

Globally, Sequoia Capital has an unparalleled track record of partnering with entrepreneurs to create global market leaders. Sequoia Capital has been an early investor in companies such as Apple, Cisco, Dropbox, Google, LinkedIn, Oracle, Yahoo, YouTube and Zappos. Sequoia Capital maintains dedicated teams in USA, China, India and Israel.

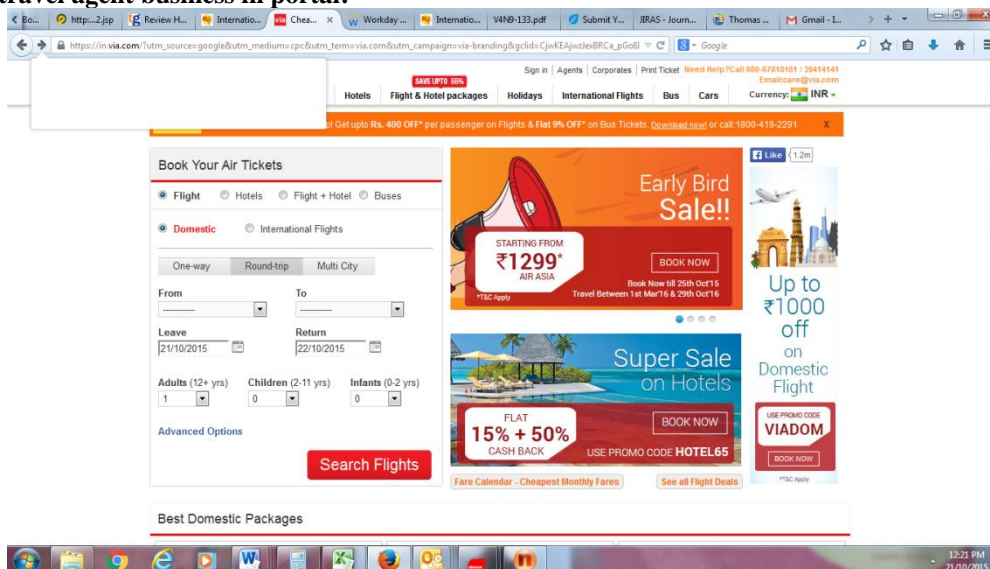
Retail Travel Agent in E- Business (B2B):

The creation of portal and doing business need a lot of investment and venture capital cannot invest in all peoples business. Hence distribution of the business started to share the investment. The wholesale travel agents started investing in portal. Since they were not able to generate a lot of business on their own, the wholesalers distributed the portal to the business partners (Retail travel agents). The wholesale travel agent will give white label to retail travel to generate business. Thus the retail travel agents made their survival in this competitive business. Today in the market you can find more than 20 to 25 online wholesalers in the market and these wholesalers give life to almost 25000 retailer travel agents in the market and it is growing every day. Today total business of travel agent has become E-business with no existence physically and invent of technology has totally changed the fate of the travel agent business to E- business, transforming the tourism business to E- Tourism.

E-Business Flow Chart of the Travel Agent:-



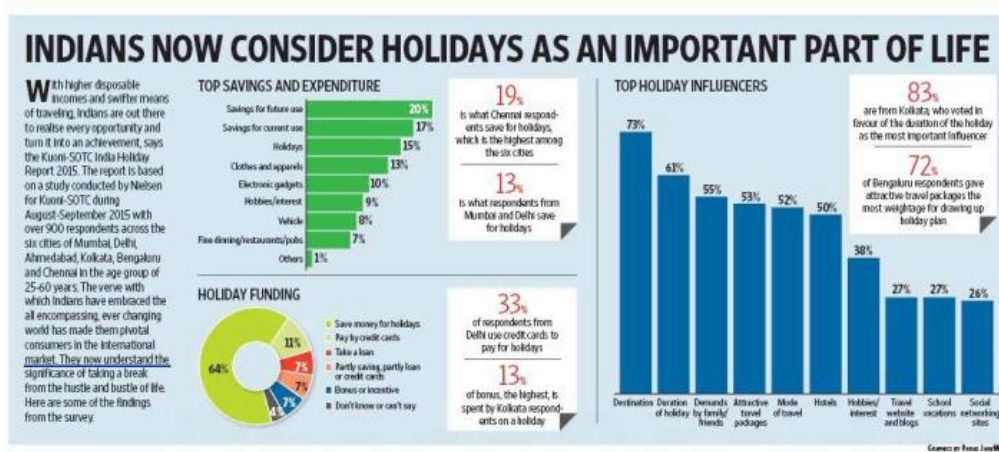
Demo of the travel agent business in portal:-



IV. CONCLUSION

Transformation of Tourism industry to E- Tourism is in process worldwide. The technology has touched its path without leaving any of its form of business in the world. Today we use technology for making safety pin to make of space aircraft. Thus it has also changed the travel agency business to E- Business module. This transformation has been real uplift in the business and more customers friendly. Today since the business is very transparent, portal has given a lot of information to the client and hence now, holiday has become mandatory for Indian's too especially.





Hence internet has helped the travel agents and tourism a lot. It is rightly said, that we need to accept the changes happening around us and start to equip ourselves to the changes happening, otherwise we are lost.

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