

The structure of the travel and tourism industry tourism essay



Travel and tourism is one of the most vibrant and largest industries that extend ample job opportunities for individuals with the appropriate skills, understanding and attitude (Driver 2001). This industry has now explicated into one of the world's most significant industries. This industry is one of the significant developing sectors of the UK economy (Costa 1995, p. 12). It has developed speedily since the Second World War and now has become one of the globe's largest industries. UK travel and tourism industry employs more than 2.1 million people that evidence its importance for the country.

The industry serves customers with an extensive range of products, services and facilities according to their specific needs. The industry operates in a specific manner that is essential to understand before entering it (Knowles, Teixeira & Egan 2003, p. 47). The industry's significance can be understood with its efforts in terms of VisitBritain that is Britain's national tourism agency, accountable for marketing Britain overseas (Coulter 2003, p. 20).

This agency works with thousands of UK and overseas organizations, to market Britain effectively to visitors from all over world. It basically works for promoting UK tourism industry.

This module is designed in a way that will assist in investigating the UK travel and tourism industry. It will enhance our knowledge towards the travel and tourism industry suppliers that include tour operators, travel agent, accommodation and transport organization (Costa 1995, p. 12). Throughout this industry analysis that will be taken here, it will become easy to recognize the structure of the travel and tourism industry, acknowledge the main industry suppliers and the process used by them to distribute their products.

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Here, the different components of the industry will be studied along with the discussion of their interrelation. As well, this paper will also assist in exploring different travel and tourism organisations of the industry from government and private sectors. The industry evaluation will also assist in learning about the latest industry developments and their affect on present industry position. Industry investigation will be completed in two parts. In first part of the paper an education information section of website will be developed that will illustrate the structure of the travel and tourism industry.

In the second part of the paper, a travel or tourism organization will be selected to evaluate its functioning. This in turn will be completed with the help of developing an illustrated case study for a forthcoming special feature of online travel and tourism trade newspaper. This case study will help in identifying the specific functions of selected travel or tourism organization. In this way, this comprehensive model will assist in identifying UK travel and tourism industry structure and functioning.

The Structure of the Travel and Tourism Industry

Structure of UK travel & tourism industry can be understood effectively by understanding its different aspects, components and functions. For understanding industry structure it is essential to evaluate its each and every aspect from suppliers to customers that can be done by assessing its different aspects individually (Costa 1995, p. 13).

Meaning of Travel and Tourism

Find a single definition of travel and tourism is not easy with which everyone agrees. Travel is movement of individuals from one place to another with the

help of different types of transport whereas tourism embraces the all inclusive process of people visiting diverse destinations for a number of reasons along with industry support (Moutinho 2000). Although one thing on which everyone agrees is that travel and tourism is a big business and the industry generates significant profit. Travel and tourism is also a constituent of leisure as all of us go for holidays or visits throughout our leisure time (Thrift & Walling 2000, p. 97).

In accordance to the World Tourism Organisation, tourism is the momentary, short-term movement of individuals to places outside and inside their domestic locations, where they usually live and work (The Travel and Tourism Industry n. d.). Tourism involves movement of individuals for all kinds of reasons and their activities throughout their visits. These definitions evidence that who is tourists:

People who are far from their home or residence.

People who are on a temporary or short-term visit like holidays (Goodall 1997, p. 243).

Individuals who are allied with travel and tourism activities.

Overnight or day visit in leisure time.

Trip related to business or visiting friends or relatives (Moutinho 2000).

The main types of tourism in the UK industry are domestic tourism, incoming or inbound tourism or outbound tourism.

Domestic Tourism: It is when individuals take holidays, short breaks and day trips in their own country. In the year 2000, overall 174.5 million trips were made by British people, within the UK (Jessica 2003).

Incoming/Inbound Tourism: This type of tourism is related to international tourism when other country people are entering the UK. In 2000, overall 25.2 million overseas visitors came in UK with different intents (The Travel and Tourism Industry n. d.).

Outbound Tourism: Outbound tourism pertains to when individuals travel away from their home country to visit some other international countries for holiday or business activities (Ward 2002, p. 41).

The prominent industry suppliers are travel agents, tour operators and accommodation providers. All types of tourism are managed with the help of industry's suppliers and distributors (Moutinho 2000).

Differences between the Three Economic Sectors

The UK travel and Tourism industry is classified in three economic sectors:

Public Sector:

This economic sector of the industry provides services for public and it is collectively paid through government. For the effective operation of this sector, elected bodies like local council and Parliament are responsible. Most of the public services provided are non-profit making (Jessica 2003). Services offered through this sector involves museums and art galleries, youth and community centres, leisure clubs, public halls, playing fields, catering services, information centres, libraries etc. Visit Britain, DCMS, FCO, Regional

Development Agencies and English Heritage are some of the examples of public sector tourism organizations (Rowe & Smith 2002).

Private Sector:

The private sector of tourism industry includes diverse commercial operators managed by different individuals and companies. The substantial aim of these individuals and companies is to generate profits by offering different travel and tourism services and products to customers (Moutinho 2000). The significant private sector activities in regard to travel and tourism are in the domains of retail sales, entertainment, catering and accommodation, travel services and tourism.

In modern era, number of private travel and tourism organizations operate in UK like Rank, Granada, Ladbrokes, Thomas Cook and Virgin (The Travel and Tourism Industry n. d.). These private sector organizations serve customers with facilities like travel agencies, theme parks, golf course, health and leisure clubs, restaurants and hotels (BDO Hospitality Consulting 1996, p. 8).

Voluntary Sector:

Organizations that belong to voluntary sector are directed and operated by volunteers. It includes non-profit making or charitable organizations such as travel or local sport clubs. These types of organizations provide some financial advantage to the industry in the form of rate and VAT relief and relief from income tax on investments (The Travel and Tourism Industry n. d.).

Some of this sector organizations that file as charities are required to fulfil some specific conditions like they should operate with objectives like charity, non-profit making and advancement of education and sports. They need to operate with an objective to satisfy community in terms of benefits. In UK there are more than 200 national voluntary travel and tourism groups that embrace youth and community groups, touring groups, conservation groups, social & sports clubs, heritage groups etc.

Travel and Tourism Chain of Distribution

The chain of distribution is a technique of offering products to the end consumers. It is applicable in each industry and subsequent is its traditional form:

Producer

Manufacturer

Wholesaler

Retailer

Consumer

The Traditional Chain of Distribution

Usually, a manufacturer delivers its product or service to its consumer through wholesaler and retailer but it is not the case with travel and tourism industry (Moutinho 2000). In travel and tourism industry also a chain of distribution is followed that is as follows:

Principals - i. e. hotels, airlines and other

transport companies

Tour Operators

Travel Agencies

Consumers

Travel and Tourism Traditional Chain of Distribution

In travel & tourism industry, traditional chain of distribution fit precisely into a class, for instance travel agent who performs specific business role.

Although the industry is much more complex than this and in several instances the traditional chain (Rowe & Smith 2002) has been contracted as follows:

Principle - Internet - Consumer

Principle - Tour Operator - Call centre - Consumer

Principle - Tour Operator - Television - Consumer

Principle - Call centre - Consumer

These are some of the distribution channels used by UK travel and tour companies. As well, companies also not strictly follow one line of business because they used to buy or merge with other kinds of businesses. Tour operators now have bought or created airlines, travel agencies and hotels (BDO Hospitality Consulting 1996, p. 8). This is done for attaining significant

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commercial growth and market position. This buying or merger process by UK travel and tourism companies is recognized as vertical and horizontal integration (Rowe & Smith 2002).

The UK travel and tourism chain of distribution demonstrates that companies own the entire diverse component in the distribution chain and are able to manage the overall operation. This is done by UK travel and tourism organizations for attaining economies of scale and serving its customers with much more better prices (The Travel and Tourism Industry n. d.). The distinctive distribution chain of UK travel and tourism firms represents that smaller operator's serve with high pressure and if they don't try to operate at large scale will be forced to leave the industry (Rowe & Smith 2002).

Vertical and Horizontal Integration

Vertical Integration:

Vertical integration takes place when two firms from different levels merge or are bought in the chain of distribution (Moutinho 2000). This may be a backward integration such as a tour operator purchases a hotel, or forward integration like a tour operator purchases a travel agency. One of the substantial examples of vertical integration in UK is of First Choice Holidays plc. It possesses several tour operating for example First Choice Holidays and Sovereign (Schmidt 2008).

As well, it also has its own travel agencies chain in UK operated under the First Choice Travel Shops and First Choice Holiday Hypermarkets names. Additionally, it also has its own charter airline First Choice Airways (Rowe & Smith 2002). This type of integration done by companies is known as vertical

integration in which a company possesses companies at different levels of distribution chain. The well known multiple agencies of UK are owned by a key tour operator. Going Places is a substantial element of the MyTravel Group and Thomson Travel Shops are possessed by Thomson (The Travel and Tourism Industry n. d.).

Horizontal Integration:

When a company possesses or manages other business at the same level of distribution chain is known as horizontal integration such as takeover of a small independent hotel by a major hotel group or takeover of a small travel agency by a big travel agency (Moutinho 2000). In UK recently a merger has taken place between Thomas Cook and MyTravel tour operators. In UK, horizontal integration is very common in the hotels sector and it is done with a motive of attaining economies of scale by assuring the functioning and marketing of extensive number of individual hotels (The Travel and Tourism Industry n. d.).

Most of the UK travel and tour companies are integrated vertically and horizontally and it is done to strengthen their present and future market position (Rodgers 2001).

Impact of Vertical and Horizontal Integration on Customer Choice

Vertical and Horizontal integration, significantly affects customer choice as with the customer become able in purchasing a whole package at reasonable price in spite of purchasing different services at high price (Moutinho 2000).

With vertical integration, it becomes easy for customer to make long-term

relations with a firm as it will offer all kinds of products and services to its customers due to its presence in different business in different level of distribution chain (Rodgers 2001). On the other hand, horizontal integration also strengthens company position and they serve their customers in a much more effective manner with additional services at wholesome price package (The Travel and Tourism Industry n. d.).

In this way, it can be said that integration whether it is vertical or horizontal is beneficial for customer as it facilitates customers with more choices. With integration, industry players' get more dominant and become better able to offer its customers with more choice at moderate prices and packages (The Travel and Tourism Industry n. d.).

Tour Operators and Travel Agents

A tour operator covers a holiday package that includes:

Travel mode (road, rail, air or sea)

Accommodation facilities through hotels, self catering villas, guest houses etc.

Travel agencies that provide transfer facilities to customers such as car hire and excursions (The Travel and Tourism Industry n. d.).

The significant role of tour operators is to aggregate the diverse component that develop a holiday and put it for sale to consumers as packages. They are responsible for making contracts and associations with hotels, airline companies and transport companies to make an attractive package

(Moutinho 2000). In UK, there are approximate 600 tour operators in which most of them are small companies that specialize in specific destinations or type of services. All tour operators of UK can be classified into following four categories:

Mass-market operators: These tour operators sell holidays in high volume and it includes some of the well-known key players of industry like Thomson (TUI), MyTravel, Thomas Cook and First Choice Holidays (Middleton & Lickorish 2007).

Specialist operators: These operators are not as well-known as mass-market operators. In UK, there are number of specialist tour operators that provide customers with holidays and short breaks to Rome, Amazon adventure tours, Italy etc. These types of operators are becoming more popular due to its offering of individuals type of experience. Well-known specialist UK tour operator is Super-break (Investigating Travel and Tourism, n. d.)

Domestic Operators: These operators design holiday packages for the home market. The well-known domestic operators are coach operators like WA Shearings and National Holidays. Both of these offer valuable products to older age groups (The Travel and Tourism Industry n. d.).

Incoming tour Operators: These tour operators provide holidays and travel products for abroad visitors to Britain. Some operate from international locations where customers are and some operate from UK (Middleton & Lickorish 2007). Some of the well known incoming tour operators are Gullivers Sports Travel, Pathfinders and Evan Evans Tours. All of these offer

all inclusive package tours of the UK that are sold through international travel agents.

Travel Agents

Travel agents offer outgoing, incoming and domestic tourists with extensive leisure and business travel products and services (Middleton & Lickorish 2007). In UK there are around 7000 travel agencies that are members of the Association of British Travel Agents (ABTA). In UK, there are different types of travel agencies that include multiple, independent, maniple, e-agent and holiday hypermarkets. Travel agents work as a link among customers and tour operators and other principles like airlines and hotels (Investigating Travel and Tourism, n. d.)

Before purchasing a holiday package visitors go to travel agents for suggestions, bookings and better services. Travel agents are responsible for ensuring that they are serving a customer with right and appropriate holiday or travel service. They also offer customers with coach, flight, rail or ferry bookings, specialist services and independent travel arrangements.

Scheduled and Chartered Air Transport

Scheduled Air Transport refers to the services that operate with a published timetable, on specified routes and with government licence. These services does not get affected by the number of passengers' and due to this, it is generally used by business travellers as they are also ready to pay premium price for their comfort and convenience (Middleton & Lickorish 2007). In UK, budget, low-cost or ' no frills' airlines, provide scheduled services on various domestic and global routes at low prices.

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One of the significant advantages of this transport is this that it is regular and provides scheduled flights to customers. It offers customers with seats in different classes according to their suitability (Rowe & Smith 2002). In addition to these advantages, one of the substantial disadvantage of schedules air transport is this that it does not offer flexibility to visitors as it operates in scheduled manner and is not affected with any factor.

Chartered air transport refers to the services that are associated to the package holiday industry, in which tour operators' make a contract with an airline for a distinctive route for a period. Some major UK tour operators possess their own airlines and due to this the sales of charter flights is declining (Investigating Travel and Tourism, n. d.). Major charter air transport services of UK are Monarch, Thomas Cook and MyTravel (Rowe & Smith 2002).

Charter air transport provides its customers with an advantage in terms of flights on reasonable price for specific purposes. These are provided by tour operators that assist customers in developing long-term relations. In addition to these advantages it also has a disadvantage that it does not serves its customers with flexibility as blocks of seats or whole flight is booked.

Relationship and Links between Travel and Tourism Organizations

In UK, almost all travel and tourism organisations work with link-up or associations in some or other way. In present almost all people travel for some purposes that may be adventure, business personal or holiday that is managed by tourism business of the country. Travel is done through

different transportation facilities and it requires accommodations facilities that are provided by tourism organizations (Middleton & Lickorish 2007).

There is a relationship between travel and tourism and due to this all tourism organizations offers different facilities for travellers.

Both of these types of organizations work together due to the similarity of their fields and business operations. The relationship between travel and tourism organizations can also be understood with the help of recent developments that pertains to increase in individuals travelling with diverse reasons.

Nowadays customers prefer to buy a wholesome holiday package that serves them with all travel and tourism facilities (Rowe & Smith 2002). Due to changes in customers' preferences and demands, links between travel and tourism organizations has strengthened.

All these aspects of UK travel and tourism industry demonstrates its structure and pattern of operations. If a company wants to operate successfully in UK travel and tourism industry it has to go through all the above discussed aspects and patterns. UK travel and tourism industry chain of distribution is different from traditional distribution chain that is essential to understand for attaining assured business success.

Functioning of a Travel and Tourism Organization

Subsequent to the discussion of UK travel and tourism industry structure, it becomes evident that there is a substantial relationship between country's travel and tourism organizations and its distribution chain different from

other industries. The pattern of business in UK travel and tourism industry is <https://assignbuster.com/the-structure-of-the-travel-and-tourism-industry-tourism-essay/>

different from other country's industry and it is essential to be understood for entering it successfully (Pender & Sharpley 2005).

The industry structure provides information of all essential components of the industry but for understanding it in more detail here, an individual organization will be evaluated that is Virgin Atlantic. It is a British airline company (Waugh 2000). The company functioning will be understood by developing a case study so it can enhance readers understanding.

Virgin Atlantic Case Study

Virgin Atlantic Airways Limited is also known as Virgin Atlantic. It is a British airline and functions between the United Kingdom and North America, the Caribbean, Africa, Asia, the Middle East, and Australia. This UK airline is a well-known scheduled airline. The company operates with a CAA Type A Operating Licence to take passengers, cargo, and mail on plane with approximate 20 seats (Dickinson 2009).

The company was founded in 1982 and in present it has become Britain's second largest carrier that serves world's 30 major cities, as well as New York, Washington D. C., Boston, Chicago, San Francisco, Sydney, Miami, Dubai, Los Angeles, Johannesburg, Hong Kong, and Tokyo from its bases that are at London's Heathrow and Gatwick Airports.

The company has enjoyed significant popularity and recognition all around the world due to its business operations. The Virgin airline has initiated number of innovations that had built new service standards that other industry players also followed (Rowe & Smith 2002). In spite of its substantial

growth its service still remains customer driven with a prominence on value for money, excellence, fun and improvement.

The company functioning can be understood effectively with the help of subsequent aspects of its functioning:

Ownership:

The company is a British airline specifically situated in London. It is owned by Sir Richard Branson's Virgin Group and Singapore Airlines. Both the company holds 51% and 49% shares respectively. It was established in the year 1982 by Randolph Fields who was from America and was a lawyer, and Alan Hellary, who was a former chief pilot for Laker Airways (Dickinson 2009).

In 1982, it was established as British Atlantic Airways and since 1984, it has been operating as Virgin Atlantic. The airline offers its customers with three class system that are Economy, Premium Economy and Upper class (Rowe & Smith 2002).

Aims and Objectives:

The company operates with subsequent aims and objectives:

Operate with the basic foundations that are safety, security and consistent delivery.

Serve customers with quality service and value for money.

Concentrate on the business and leisure markets and drive competence and effectualness.

Operate with simplicity and in a way that love to fly.

Become a growing and profitable organization (Dickinson 2009).

Always challenge the ordinary and push airline innovation to serve passengers with something special and different.

The company works in a direction to attain continuous specialization in range of innovations.

The company works for creating a virtual contact centre network for serving customers all around the world with consistent, well-organized, effective and transparent services (Pender & Sharpley 2005).

Establish a global view of business for developing an ability to control all business operations.

Create a flexible workforce and schedule people around skills and altering work demands (Dickinson 2009).

Develop a business process that assist in managing all up and down business situations.

Product Range:

From the time of its initiation, the company is operating with diversification strategy. In present, the company operates long haul services and it provides customers with aircrafts, clubs and several other products. It offers flights between different cities of the world for assisting customers in their travelling (Dickinson 2009). The company has also brought in a strand of

firsts admitting individual seat-back televisions for all economy passengers. As well, it also serves customers with automatic defibrillators. It also serves its upper class customers with limousine pick-up and Drive-Thru check-in (Bamber, Gittell & Kochan 2009).

Virgin Atlantic also operates with Clubhouses and Virgin lounges at its several destinations'. The Virgin Clubhouses are intentionally planned to challenge the traditional airline industry patterns and for creating a different and unique travelling environment (Singh 2008). In the year 2003, the company launched its Upper Class Suite product that involved a falling back leather seat for takeoff, a well-designed sitting and eating place, fully flat bed and proper mattress for sleeping.

As well, it also includes a private on-board bar at where customers can drink with their friends and a personal massage room. All these products are offered at reasonable price that others airline companies offer only to their first class customers.

Services:

All aircrafts of Virgin Atlantic aircraft operate with three-class configuration that is Economy, Premium Economy, and Upper Class cabins. Economy class is the standard coach class and serves customers with basic amenities (Dickinson 2009). Premium Economy class has its own different check-in area, a much more comfortable seat and legroom with much more amenities. This class passenger is also provided with laptop power supplies. The upper class is for business class and has all facilities. This class seat is fully flat bed and it also serves customers with seat power leads.

In addition to this service, all Virgin Atlantic aircraft provide customers with personal seat-back televisions that furnish them with lots of entertainment channels. Most of company aircrafts also have an Audio/Video on Demand (AVOD) system. The company also have service of Frequent Flyer Programme, which benefit customers' according to their use of Virgin aircraft for travelling again and again. Virgin Atlantic also provide some other additional services like the ' Freedom' meal service, in-flight beauty therapy service, arrival lounges, flying clubs etc.

Distribution Method:

The company is established by making use of its own course within a model coherent with asserting the corporation's image of customer friendliness, fair dealing and relative ease (Robinson 2009). The company remains concentrated on the UK markets and its business has explicated with the help of additional product and services (Dickinson 2009).

The company make use of above distribution methods that precisely with airline products and services that are offered through tour operators and travel agents. From its initiation, its distribution methods had altered number of times and it is getting contracted day by day. Virgin Atlantic, serve its customers in a more and unique way.

Pricing Policy:

Price is a key element of airline strategy and it need to be agreed by targeted customers. It should be in a way that reflects company's other marketing mix elements also (Pender & Sharpley 2005). Virgin Atlantic serves its customers with number of products at different price levels and

with different pricing strategies. Its business segment is served with higher price whereas its economic class is served with low price (Singh 2008).

For its different customers, the company make use of different pricing strategies like price skimming, penetration pricing, marginal pricing and promotional pricing. All these pricing strategies are used by customers for serving different types of customers and their different needs (Eccles & Costa 1996, p. 49). The company pricing strategy is designed in a way that tries to offer superior service by undercutting competitors' prices (Driver 1999, P. 136).

Marketing Activities (Promotional Activities):

The company make use of different marketing activities for promoting its products and services in the UK travel and tourism industry. The company had made use of different marketing mix elements that are also apparent in its vision and mission strategy. In addition to this, for promoting its products and services, the company make use of different advertising strategies and channels of media (Eccles & Costa 1996, p. 47).

The company had launched different services that all are promoted in different ways and through print and television. In addition to this, it also makes use of different advertising campaigns and promotional offers for its customers so that they can be driven towards Virgin Atlantic craft services (Robinson 2009).

Regulatory and Licensing Requirements:

The company is an airline company and before initiating any of its operations it has to attain support and approval from several national regulatory bodies or firms. The first regulatory body is the Civil Aviation Authority (CAA) that governs the UK aviation sector. All airline companies' services are regulated by CAA so that a diverse and competitive industry environment can be encouraged in the country (Driver 2001).

Other substantial regulatory bodies from which approval is essential are the Air Transport Users Council and National Air Traffic Services. These authorities have altered traditional aviation laws and it had assisted companies in their old licensing laws (Pender & Sharpley 2005).

Membership of Associations with Benefits:

Virgin Atlantic operates by associating with different associations as it provides the company with several benefits like market dominance, competitive advantage, environment-friendly image etc (Zeithaml, Bitner & Gremler 2005). The company has an association with the Tourism Review and Implementation Group that was developed in 2004. This association has members from different fields like tourism, public sector and education. In addition to this, the company also operate with number of other associations that strengthen company's image in the mind of its domestic as well as international customers.

Relationship with other Travel and Tourism Organizations:

From its initiation, Virgin Atlantic has developed strong relationships with other travel and tourism organizations as it has tie ups with number of

hotels, tour operators and travel agents that promotes both the companies. The company long-established success is the result of its effective relationships with other travel and tourism companies (Balmforth 2009). The company promotes its products and service by making contracts with tour operators that provide all-inclusive holiday packages to their customers'. As well it also operates by associating