

Introduction

Starting small or medium or large business firms needs methodical approach. To start a large factory like Steel or Aluminum or Oil Refinery, there requires all managerial approaches to lay a solid foundation of business. This approach is almost same in case of setting up a small or large travel agency firm. It is a business that an entrepreneur should have knowledge, experience, commitment, patience, finance, etc to run and expand the business without having failures. There are all probabilities to face losses that may make a travel agency firm to close the business and there are also more possibilities to make optimum profits from the minimum investment. Possessing one skill may not help someone run travel agency.

Thus, it requires more skills and experiences to run the travel agency business as it deals with more learned and enlightened customers. Travel business now faces competition and making profit in the travel business is not as easy as it was there before one decade ago. The scope of travel agency and tour operation business is very vast when the world is witnessing mushrooming growth of international trade. As a result, the number of business and leisure travelers has been increasing for the last several years. In this dynamic business scenario, a travel agent is required to be smart in dealing with clients; providing them quality services; and taking the business very seriously. Creating a new customer needs more efforts and expenditure than maintaining relationship with the existing customers.

In this, you will read about the procedures for arranging funds, indentifying a better locations etc

Setting up a Travel Agency and Tour Operation

Travel agency or tour operation business is managed and operated by someone who must be professionally qualified, skilled and experienced. Hundreds of travel agencies have ventured into the business with much expectation and many of them just perish in the due course of time due to several reasons. Thus, starting a travel agency counter does not take much time rather it takes longer time to sustain and grow the business in the competitive travel market. It is usually seen in travel trade that steady expansion of different areas of operations widens the scope for more diversifications and consolidation. Hundreds of IATA approved travel agents have closed the business forever due to the zero commission in the sale of airline tickets. However, many of them have switched over to package tours and MICE business to stay on the business as an alternative business model. Professional institutions offer training programmes to enhance capacity to take the responsibility and authority to start own enterprises. Travel agency is traditionally a family-run business and in most cases, travel agencies were run by housewives. It could be managed with reasonable skills and knowledge. At the same time, majority of travel agents were dealing with one or two components of services such air and train tickets.

Those two areas of business used to provide standard rate of commission. Nevertheless, the business of travel agency and tour operation has undergone radical changes with so many diversifications. Today, travel agents are more focused into hotel bookings,

Sale of Package tours and processing of travel documents.

Similarly, tour operators do focus much on diversification of

package tour business as the trend of travel is changing due to the change in income, traits and lifestyle.

The business starts from the demand of consumers. Consumer is the king and sellers shall have to treat him like God as satisfying consumer is the ultimate objective of any businessman. Gone are the days when producers manufactured products without taking the needs and demands of consumers. In the present market, the behavior of consumers is studied before bringing the products to the market place. When there is a growth of any business at a particular place and time, it explains that more consumers are willing to demand for the products.

The common interest of any travel agents or tour operators is to make profits to manage the fixed and variable costs. Some of them are interested in offering services with premium price to the target customers and others do offer services to budget customers with the target of selling more. An intelligent travel agent is one who makes all possible efforts to maximize returns at a fast rate by increasing volume of sale or reducing the cost of selling and operating conducted package tours.

It is essentially important to highlight the margin of profit as a main motive of travel agents and tour operators to invest more for expansion as the business gets stability or it is above the break-even point. For example, Thomas Cook is a full-fledged travel agency for more than one-and-a-half century and the success of this travel agent is diversifications and selection of market place for its products. In addition to the growing demand for travel agency services, there are increasing numbers of entrepreneurs interested setting up and running the travel agency business. With a little amount of initial capital, one can start running a travel agency.

Travel agents and tour operators act as intermediaries in the network of travel and tourism business with the service providers with forward and backward linkages for optimizing the investment and providing business opportunities to the hotels, resorts, airlines, railways, cruise line, restaurants, emporiums, theme parks, theaters, events, etc. As such, the first encounter takes place between travel agents and customers for the purchase of package tours or any other elements of services. Keeping this unique feature of travel business in mind, it is essentially important to find the best possible ways for establishing travel agency or tour operation for growth of business in the future.

Travel agencies or tour operation units are located at the prime places in cities, towns and tourist centers for easy accessibility of customers and vice-versa. This is a typical business that attracts those customers who largely take the travel assistances for making hassle-free travel. This is the reason why travel agents are situated in good localities to meet customers regularly.

Interactions cannot be substituted with web technology as customer relationship is established through internet. As a result, online travel agents have forayed into the travel market and have posed challenges to the traditional travel agents.

Locations in prime or posh area in city provide several advantages to many travel agents to maximize the advantage for which fixed and overhead costs along with other costs also increase accordingly. Advantages of locations include easy accessibility and availability for benefits of customers. More importantly, walk-in customers do find convenient to visit the office premises of travel agents for the purposes of booking, confirmation, reconfirmation and cancellation.

Setting up main or branch offices in good locality provides more opportunity to visit clients for personalized services. Cost for maintaining offices around big government and corporate offices is high. But it gives much advantage to travel agents to establish regular contacts with clients in day-to-day basis. When travel agents operate offices from a distance place from clients, it becomes cumbersome to visit the clients. When we take the example of location of travel agents, you may find travel agents near the railway stations, airports, bus stand and corporate areas. For instance, one can find several branch offices of Thomas Cook in New Delhi, Bangalore and Chennai. Travel agents must be placed on the areas of business for which location can be decided.

These are the following criterion for starting travel agency or tour operation unit.

Selection of Ideal Location

Selection of suitable location gives added advantage to a travel agent or tour operator to grow in the competitive business environment. It solves maximum problems in opening travel agency or tour operation office. It takes longer time to find an ideal location. Location is finalized after taking the potential area of business into consideration. A travel agency or tour operator operates and manages its business activities more efficiently and productively when it is located in an easily accessible place. The advantages and disadvantages of a particular location are evaluated meticulously. At the same time, location of other travel agents in the locality is thoroughly studied. Most of the travel agents prefer to open their offices in the busy commercial areas.

Location must be identified near the corporate offices, banks, airlines city offices, bus stands and railway stations. Ideal locations help in multiplying the revenue opportunities of travel agents or tour operators in the future. Formal and informal ways of identifying the sites are usually done to help find locations without having much hassle.

Selection of Office Premises

Selection of appropriate site increases the responsibility of finding proper building or office premises. Building should be preferably ground floor and there must be enough parking areas. It is always preferred to find ground floor for the convenience of customers for easy access to the office. For example, elderly customers or disabled customers can have easy access if there is a ground floor premises. Building must have the required space as prescribed by IATA or any other recognized organizations.

In order to make the working place comfortable for staff members, it should be well maintained and should preferably be air-conditioned. The building should have toilets for male and females with good sanitary wares. Interior designing must be aesthetically done to provide better working environment for the employees. Customers or clients can have better impression on the working environment. The color of paints or floor tiles must be soothing to eye and it must be properly maintainable. Travel agency should display the signboard with description of address. The building should have located at a landmark place or the building itself is a landmark place in the city in order to attract walk-in customers or clients.

Selection of Furniture

Selecting proper and latest furniture enhances the beauty of office premises. There must be enough market survey to select proper furniture. It is better to select chairs, tables, sofa, center table, visitor chair, etc as per the availability of space. Comfortable cushioned sofas, movable rotating chairs and cupboards must be selected to provide in the office.

Technological Gadgets

Technology can bring in efficiency in work culture. Working environment can be changed with the adoption and use of latest gadgets. With the help of gadgets, travel information & dissemination, booking, controlling the operation, fund transfer, etc can be done with the help of mobile phones. Modern gadgets have made the job easy and have made the delivery of services more accurate. Whether it is CRS and GDS, there must be software and hardware to run the day-to-day operations of business. It not only enhances productivity, but also it gives message of efficiency to the customers. Its depreciation or sunk cost is very high.

Paid-Up Capital

Investment for opening a new travel agency office can be arranged from the commercial banks in subsidized rate of interest. Paid-up capital in the initial stage of running the business can be arranged from its own source or commercial banks. A feasibility report with sufficient evidences of repaying the installment of loans along with plans of travel agency and business expansion plan must be prepared to satisfy the conditions stipulated by banks.

Travel agents or tour operators submit a detailed report justifying the scope of growing the business. It is better to borrow loan to start the travel agency business as government offers many schemes to avail the business. The accountability shall be more to survive in the business. Usually, the bank offices evaluate the feasibility report and visit the office premises of travel agency. On the basis of the report, travel agent is granted loan to run the business.

In the present days, running a travel agency with the support of banks or government has become so easy that many travel agents participate in the promotion of tourism in overseas on the cost of government. Many family-owned travel agencies are not able to expand the business as they have the fear of running the business with the help of banks. There are two genuine reasons. First, it is a seasonal business and second, the business faces various risks due to the socio-political risk factors.

Opening Current Account

For the day-to-day operation of transactions, current account should be opened with the commercial banks preferably located near the office. Current account should be transacted with the bank that lends money to open travel agency office. The advantage of maintaining current account is that there can be unlimited withdrawals in multiple times in a single day.

It is however suggested that minimum balance depending on the financial capacity should be maintained with banks. It may help in meeting certain emergency expenditures. Informal arrangements should be made with the bank in such a manner that bank must lend cooperation in clearing cheque for the periodic payment to

airlines, hotels and cruise lines. Most of the travel agents make formal request to bank to make clearance of cheque if there is no sufficient balance in the account.,

Hiring and Retaining Qualified & Trained Staff

Travel agency is a service oriented business and its primary job is to retail the services of primary producers of tourism business.

Retailing is nothing but selling the products to customers directly. It certainly requires experienced staff with proper training and qualifications to increase the sale of elements of individual or inclusive services before the target time.

Thus, the job is not as simple as it is perceived to be. Travel agents should recruit the requisite number of staff given the volume of business. Overstaff may increase overhead expenditures and understaff may affect the operation of business. Travel agents should have staff with the right qualifications and training as it is essential for obtaining approval and recognitions from various agencies.

Emphasis must be laid on selecting staff to carry out the duties and responsibilities diligently with dexterity.

Thus, travel agents prefer to visit different campuses of tourism institutions to conduct interview instead of hiring through open advertisement due to lack of limited manpower supply. As the competition rate is relatively high in travel agency business, travel agents should be careful of selecting candidate with much emphasis on commitment and interest in serving the organizations. This can be ascertained from the personal interview.

Customized Transport

Travel agents and tour operators own customized car, mini and large coach to manage the operation of individual and group tours. In case of the requirement of additional transport, recognized transport operators provide the services as per the booking from tour operators. As such, a tour operator can become a ground transport operator when it handles the tours at the main cities and travel agent when it retails the products of principal suppliers in tourism. Acquisition of own fleet of transport is required only when the volume of tours is more. For example, Southern Travels has opened branch offices in many big cities in India to operate tours with their own transports.

More importantly, car or coaches should be customized to ensure more comforts and amenities. For example, microphone, collar like, speaker, refrigerator, etc are added in luxury coach. It reduces cost on the services and increases the margin of surplus for running the transport. Majority of tour operators hire transport services from authorized transport operators and transport operators themselves act as ground operators at many cities and tourist destinations

Recognition from Airlines

Airlines do authorize travel agents to retail the tickets directly to customers. Travel agents submit the necessary documents for obtaining accreditation and airlines appoint them for booking the tickets. Apart from securing authorization from individual airlines, agents also get accreditation from IATA with the fulfillment of certain mandatory procedures to deal with the issue of international line tickets. Accreditation from airlines can enable the travel

agencies to enhance sales of services. Customers prefer to get their tickets booked through the accredited agents than the sub agents

Obtaining Franchise from Cruise Line and Multinational Travel Agency

Many travel agents take franchise from cruise liners or large travel agencies to retail the package tours directly to customers at smaller cities. Travel agents shall have to go for agreements with the principal agents or cruise liners to sell the various elements of services.

Commission or incentives are decided at the time of signing agreement. For example, Thomas Cook, Cox and Kings and SOTC give the package tours promoted through their franchise agents at various Tier-III cities in India. It gives very attractive volume of commissions to franchise agents. Travel agents should keep the option open to go for franchise or General Sales Agent (G.S.A.).

Membership of Local, National and International Associations

Travel agents and tour operators handle complex businesses that involve customers and suppliers at two different ends. Many government policy decisions generally affect the interests and continuation of business for which travel intermediaries face unwanted problems.

More importantly, tour operators do face the problems of change in laws and regulations of government on the operation of organized tourism. Whether it may be visa formality or foreign currency or service tax, inter-state permit tax, travel agents and tour operators

represent the issues to the respective authorities for favorable solutions under a banner of an association. For example, IATO, TAAI and UFTAA work for the interests of travel agents and tour operators.

Parking Area

Parking space must be available near the office for vehicles. While selecting the location of travel agency or tour operation, it is essential to have the parking area as it is a precondition for obtaining recognition from the Ministry of Tourism as transport operator or tour operator. If the office is located in a very busy commercial center, parking space may be earmarked away from the office areas. The parking space is required for vehicles to keep them at safe places. Therefore, travel agents or tour operators or ground operators generally go for leasing out parking space of local municipality.

Managing Capital and Cost

A travel agent assesses the strengths and weaknesses of the business in the competitive environment as it involves costs for producing and delivering services. Opening a small travel agency office does not need much paid-up capital. It may need for more investment as the business gets diversified. In the formative period, a travel agency faces much hardship to run the business while the bearing of operational costs. Investment of fixed capital is required to run the business. It includes office building, interior, technological gadgets, electricity, water, telephone, employees, purchase of cars and coaches, deposit of security amounts with IATA, airlines and principal travel agency for franchise and

security deposits for RBI accreditation. The variable cost comprises the payment for booking rooms and for obtaining ticket stocks, payment to the guides, balance cash in the current account, maintenance of transport, and office rooms. Promotional costs include preparation of brochures, pamphlets, websites, in the television, newspaper, magazines, attending meetings and conferences, travel fairs, conducting familiarization trips, and entertaining potential clients, providing gifts and compensation.

Cost on Obtaining IATA Recognition

It is a dream of every travel agency to be an IATA recognized agent to sell the international airline tickets. In the current time, the business of airline tickets is no longer alluring for travel agents whereby many of them do not even give their minds and energy towards the sale of airline tickets due to the paltry commission. Further, a bank guarantee of Rs. 20 lakh is mandatory to be deposited to become eligible to apply for IATA recognition. An agent may submit a fixed deposit or any fixed asset, land, gold, silver or diamond, etc to secure guarantee for the worth of Rs. 25 lakh from the banks. The amount of fixed deposit may vary depending on the number of tickets that an agent requisitions in a month. On the contrary, it is obligatory to deposit 25 per cent of total bank guarantee in cash in order to take the stock of tickets. While applying for IATA recognition, an agent spends heavily on refurbishing the office premises as per the guidelines of IATA. IATA approval procedures increase the fixed as well as variable cost of travel agents. Thus, a professional travel agent having desire for IATA approval must be prepared to spend on the bank guarantee and ambience of office premises.