

TRAVEL

Beyond The Obvious

By Madeline Jhavar, Owner of Italy Beyond the Obvious

Understanding the Travel Industry



The Travel Industry: Travel Agent



Who puts
together the
package tours?

- Works with same clients every year
- Sells the whole world
- Makes money from commissions / mark-ups
- Sells package tours
- Is primarily a salesperson, sells products
- Does marketing
- Provides customer service

What's a Tour Operator?

The definition of a Tour Operator is someone who can create and sell a package holiday.

A “package” just needs to be two or more items that include airfare, hotel, tours or activities, and transportation.

The key is that the customer pays the Tour Operator the price of the package. The Tour Operator then pays each of the vendors.

This allows the Tour Operator to get quotes from all vendors, mark everything up, then give the final price to the customer. The Tour Operator makes money from these mark-ups.

Setting yourself up as a Tour Operator requires insurance to protect the customer and of course the correct bank account / accounting set up.

The Travel Industry: Tour Operator



- Creates a vacation packages with one total price
- Sells this package to the travel agent (who marks it up)
- Books hotel, air, activities, and transfers
- Sells multiple destinations

The Travel Industry: Destination Management Company (DMC)



- Are local experts. Specializes in only a few, or maybe just one, destination
- Is usually a tour operator, so they CAN create packages (which they mark up)
- Sometimes the travel agent books directly with the DMC
- DMC can offer local connections to hotels, guides, transfers, activities
- DMC books, confirms, and receives payment for hotels, guides, and transfers
- DMC is usually only B2B, so they will sell only to other businesses (travel agents or tour operators) not to the travelers themselves.

The Travel Industry: the players



TRAVEL AGENT

- Works with same clients every year
- Sells the whole world
- Makes money from commissions
- Relies on selling packages
- Is a salesperson



TOUR OPERATOR

- Books hotel, air, activities, and transfers
- Creates vacation packages
- Sells packages to travel agents
- Sells many destinations



DESTINATION MANAGEMENT COMPANY

- Specializes in only a few destinations
- Has lots of local connections
- Is a Tour Operator, creates packages



LOCALS

- Local guides
- Hotels / B&Bs / farmhouses
- Drivers, rental cars, train tickets

The Travel Industry: the customer path

We'd like to go to Thailand



Sure! Let me send you some proposals



The travel agent at this point will review their products. They will reach out to a tour operator or a DMC and ask them for quotes for their clients' vacation.

The Travel Industry: the markups



TOUR OPERATOR

- Asks the DMC for a quote for the vacation specified by the travel agent
- Will mark up that quote by 15 – 20%

DMC

- Based on the request from the tour operator or from the travel agent, they will get quotes from local hotels, guides, and transfers, and create a package.
- They will mark up their quote by 15 - 20%

LOCAL BUSINESSES

- The DMC or the tour operator will get quotes from hotels, local guides, and transfers.
- Quotes will be “net rates”, which means that they can be marked up.

The Travel Industry: sample vacation costs



DMC's quotes

- Guides: \$500
- Hotel: \$1,000
- Transfers: \$500
- Airfare: \$1,000
- Total: \$3,000
- Mark up 20%
- **Quote to Tour Operator: \$3,600**



TOUR OPERATOR

- Receives quote from DMC for \$3,600
- Marks up about 10%
- **Quotes Travel Agent \$4,000**

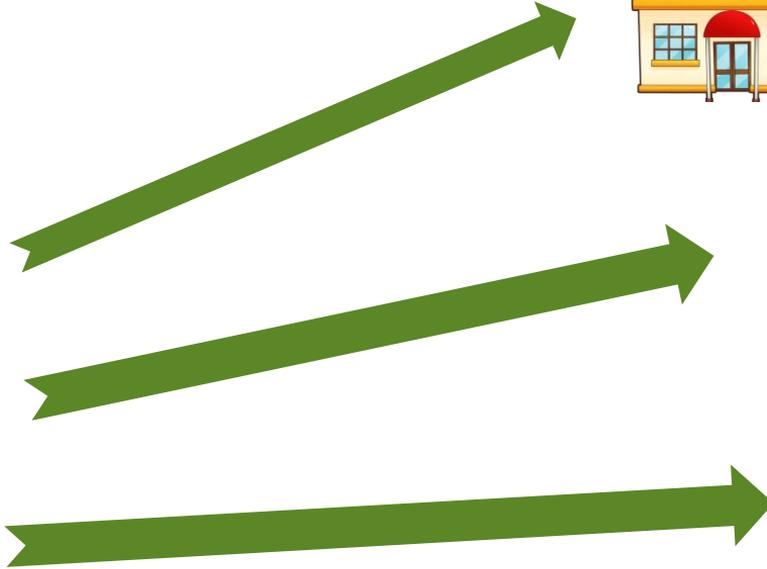


TRAVEL AGENT

- Receives quote from Tour Operator
- Discusses details with client
- Marks up about 15%
- **Quotes client \$4,600**

Fee-for-Service Destination Expert

Let me get
you some
quotes



Italy Beyond the Obvious: costs for a sample vacation

Local quotes

- Guides: \$500
- Hotel: \$1,000
- Transfers: \$500
- Airfare: \$1,000
- Planning fees: \$1,000

Total: \$4,000



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