

## 13

## Unit 13 Tour Operations



## Unit 13 Overview

10 Credits

Tour operators play a very important role in travel and tourism, by arranging the package holidays that are such an important feature of life in the 21<sup>st</sup> century. Tour operators are at the forefront of today's travel and tourism sector, seeking out new destinations and holiday experiences to satisfy the ever-changing needs and expectations of travellers. They work in partnership with airlines, hoteliers, car hire companies and a variety of other travel service suppliers to package their holiday products. Tour operators sell holidays through travel agents and direct to the public, with internet bookings showing dramatic rises in recent years.

In this unit students examine the UK tour operations environment, including links with other travel and tourism component industries. They investigate the many challenges facing tour operators, such as integration and the growth in online sales. Different types of tour operators are identified and students learn how products and services are developed to meet a variety of customer needs. They also explore how tour operators plan, sell, administer and operate a package holiday programme. Finally, students have the chance to develop their practical skills by planning and costing a typical package holiday, allowing them to appreciate some of the commercial decisions necessary to be profitable in this industry.

## Unit 13 Learning Outcomes

On completion of this unit students should:

1. Understand the tour operations environment;
2. Know the range of products and services offered by tour operators for different target markets;
3. Know how tour operators plan, sell, administer and operate a package holiday programme;
4. Be able to plan and cost a package holiday.

**Work Package 13.1**

Weeks 1-7 of 20 (21 Guided Learning Hours)

<b>Learning outcome 13.1 <i>Understand the tour operations environment</i></b> (see textbook pages 37-50)						
<b>Topic</b>	<b>Aim to cover in week</b>	<b>Use the following PowerPoint® slides</b>	<b>Associated textbook pages for reference</b>	<b>Associated activities and case studies in textbook</b>	<b>Extra student activities on CD-ROM</b>	<b>Grading criteria links for topic</b>
Icebreaker and introduction to the unit	1	1-3	37-38	Icebreaker (page 38)		
Links with other component industries in the travel and tourism sector	1-2	4-11	38-40	Activity 13.1 (page 40)	Activity CD13.1	P1
Links with trade and regulatory bodies	3-4	12-15	40-44	Case study (pp 41-43)	Activity CD13.2	P1
Legal framework	5	16-20	44-47		Activity CD13.3	P1
External influences on tour operations	6	21-28	47-48	Activity 13.2 (page 48)		P1
Challenges to tour operators	7	29-37	48-50	Activity 13.3 (page 50)	Activity CD13.4	M1, D1
Unit 13 Assignment – Task 1	7		71-73			P1, M1, D1

**Work Package 13.2**

Weeks 8-12 of 20 (15 Guided Learning Hours)

**Learning outcome 13.2 Know the range of products and services offered by tour operators for different target markets (see textbook pages 51-59)**

<b>Topic</b>	<b>Aim to cover in week</b>	<b>Use the following PowerPoint® slides</b>	<b>Associated textbook pages for reference</b>	<b>Associated activities and case studies in textbook</b>	<b>Extra student activities on CD-ROM</b>	<b>Grading criteria links for topic</b>
Categories of tour operator	8-10	38-49	51-56	Activity 13.4 (page 51) Case study (pp 54-56) Activity 13.5 (page 53)	Activity CD13.5	P2, M2, D2
Products and services offered by tour operators	11	50-57	56-58	Activity 13.6 (page 58)	Activity CD13.6	P2
Target markets	12	58-60	58-59	Activity 13.7 (page 59)		P2
Unit 13 Assignment – Task 2	12		71-73			P2, M2, D2

## Activity CD13.1 – Links between Tour Operators and Other Travel and Tourism Industries

*Need help with this? – see textbook pages 38-44*

Tour operators work in partnership with many travel and tourism companies and organisations when developing and selling their holidays. Complete the following chart with details of the main ways in which tour operators work with travel agents, accommodation providers, ancillary service providers, surface transport operators, tourist attractions, airlines and regulatory bodies.

<b>Travel and tourism industry</b>	<b>Links with tour operators</b>
Travel agents	
Hotels and other accommodation providers	
Ancillary service providers	
Surface transport operators (e.g. coach companies, taxi firms)	
Tourist attractions	
Airlines	
Regulatory bodies	

## Activity CD13.3 – The Legal Framework of Tour Operations

*Need help with this? – see textbook pages 44-47*

Match up the correct description to each of the examples of tour operations legislation listed in the table below. For example, if you think that contract law is legislation that protects consumers against false descriptions of products and services made by companies, put E as your answer for number 1, and so on.

Legislation and regulation	Description	Your Answer
1. Contract law	<b>A.</b> A licence issued by the CAA that is required by all tour operators selling holidays and seats on charter flights	
2. Bonding	<b>B.</b> Legislation that governs the rights of individuals and companies who enter into a contract	
3. Package Travel Regulations	<b>C.</b> A law that allows people to challenge any terms in a contract that they consider to be unfair and unreasonable	
4. ATOL	<b>D.</b> Legislation that gives people buying package holidays more protection and access to compensation when things go wrong	
5. Unfair Contract Terms Act	<b>E.</b> Legislation that protects consumers against false descriptions of products and services made by companies	
6. Trade Descriptions Act	<b>F.</b> A process whereby tour operators are required to put up a sum of money to cover their liability if the company goes bust	

## Activity CD13.4 – External Influences and Challenges to Tour Operators

*Need help with this? – see textbook pages 47-50*



Tour operators work in a very challenging and fast-moving business environment, sometimes having to react to changing circumstances at very short notice. They face many external influences on their work – from natural disasters and terrorism to rising fuel costs and changes in customer demand. The growth of the internet and low-cost airlines are changing the way that people travel and forcing tour operators to change their businesses.

Carry out some research into the external influences on tour operators and the challenges they face. Use the information you find to make a presentation to the rest of your group, highlighting the main issues and how tour operators might respond to the external influences and challenges.

## Activity CD13.5 – Categories of Tour Operators

*Need help with this? – see textbook pages 51-56*

Match up each description to the correct category of tour operator in the table below. For example, if you think that an outbound tour operator is a company that develops and sells holidays in Britain, put E as your answer for number 1, and so on.

Categories of tour operators	Description	Your Answer
1. Outbound	<b>A.</b> A tour operator that sells millions of holidays every year	
2. Inbound	<b>B.</b> A holiday company that specialises in a particular type of holiday or destination	
3. Domestic	<b>C.</b> A tour operator that offers holidays for British people travelling abroad	
4. Mass-market	<b>D.</b> A tour operator that services the needs of overseas visitors to Britain	
5. Specialist	<b>E.</b> A company that develops and sells holidays in Britain	

## Unit 13 Assignment – Tour Operations

### Introduction

This assignment is made up of 3 tasks which, when successfully completed, are designed to give you sufficient evidence to meet the Pass (P), Merit (M) and Distinction (D) grading criteria for the unit. If you have carried out the activities and read the case studies throughout this unit in the accompanying [textbook](#), you will already have done a lot of work towards completing the tasks for this assignment.

### Scenario

Your local Business Advisory Service has been in touch with your tutors to see if you can help out with a project they are just starting. Staff at the advice service are getting lots of requests for information on setting up travel and tourism businesses, and they would like some students to carry out research and produce some business advice materials. You have been selected to do the work on the tour operations industry.

### Task 1

You are to produce an illustrated booklet on today's tour operations industry in which you must:

- a. Explain the tour operations environment and the challenges it faces (P1). You must explain how tour operators work with other component industries of the travel and tourism sector. Links with travel agents, providers of transport, accommodation and ancillary products and services must be explained, together with the relationship tour operators have with trade and regulatory bodies. Horizontal and vertical integration has had a significant impact on the tour operations environment and you should demonstrate, with relevant examples, your understanding of these terms. Tour operators must work within a legal framework and the relevance of key regulations, laws and licensing should be described. You should also demonstrate your awareness of the way in which environmental, political, economic, social and technological factors can influence the industry and highlight current challenges for the tour operations environment, for example the growth of budget airlines and the internet.
- b. Discuss the impact of challenges facing tour operators (M1). A minimum of four challenges should be examined and analysed. Relevant examples showing how they impact on tour operators should be given to support your discussion.
- c. Evaluate the effectiveness of tour operators in responding to challenges facing the sector (D1). At least two challenges should be addressed. This must be supported by recent examples and might include evidence of how tour operators have responded to the credit crunch or how specific tour operators are responding to challenges created by the internet or budget airlines. You must make some judgement on their effectiveness.

*This task is designed to provide evidence for P1, M1 and D1.*



## Answers to Test Questions in the Textbook

(With page references for more information in the accompanying textbook)

### 1. Why are tour operators sometimes thought of as wholesalers?

*Answer:* Wholesalers buy in bulk, split the bulk into manageable quantities and sell through retail outlets (shops). The same applies in the travel and tourism sector – tour operators buy in bulk from the providers of travel services, such as the hoteliers and airlines, break the bulk into manageable packages and offer the finished product – the package holiday – for sale via a travel agent or direct to the public. The package is sold for an all-inclusive price, which is generally lower than if the different parts of the holiday had been booked individually by the holidaymaker (see page 38).

### 2. What is the difference between horizontal and vertical integration?

*Answer:* Horizontal integration is when a travel company owns or has control over a number of companies at the same level in the distribution chain or in the same industry sector. For example, many tour operating businesses that are now part of the 'big two' were originally independent companies, e.g. Neilson and Club 18-30 (now part of the Thomas Cook Group), and Something Special and the Holiday Cottages Group (now merged with Thomson). Vertical integration is when a company has control over other companies that are at different levels in the chain of distribution or in different sectors, e.g. a tour operator such as Thomas Cook owning its own travel agencies and airline (see pages 39-40).

### 3. What is UKinbound and what activities does it undertake?

*Answer:* UKinbound (formerly BITOA – the British Incoming Tour Operators' Association) is a trade body representing the interests of companies specialising in inbound tourism to the UK (see page 52).

### 4. Name six members of the Federation of Tour Operators.

*Answer:* (1) Kuoni; (2) Virgin Holidays; (3) Inghams; (4) Thomas Cook; (5) Shearings Holidays; (6) Cosmos (see pages 41-43).

### 5. What is consolidation in tour operations?

*Answer:* In tour operations, consolidation occurs when a flight is cancelled and its passengers are transferred to another flight as a way of maximising space on aircraft and saving costs (see page 65).

### 6. What is an outbound tour operator?

*Answer:* A tour operator that specialises in developing and selling overseas holidays for UK customers (see pages 51-56).

### 7. Why are ancillary sales important to tour operators?

*Answer:* Ancillary products and services include the sale of travel insurance, airport parking, car hire, excursions, upgraded accommodation, luggage, foreign currency, etc. Ancillary sales are important because they give tour operators another source of income. Also, the profit margins on these items are often greater than on the holidays themselves (see page 58).

### 8. Why has the popularity of package holidays fallen in recent years?

*Answer:* There has been a gradual increase in independent travel in recent years at the expense of traditional package holidays. This is the result of growth in the use of the internet, the development of low-cost airlines, consumer demand for more



# ***BTEC National Level 3 Travel and Tourism***

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## **Tour Operations**

# Unit 13 Learning Outcomes

1. Understand the tour operations environment
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4. Be able to plan and cost a package holiday



# Icebreaker



1. Name five different tour operating companies that you are familiar with
2. Try and come up with a definition of a 'tour operator'
3. Make a list of what you think a new tour operator would have to do to organise, plan and sell its holidays
4. Make notes on the range of internal and external influences on a tour operating company that could affect its profits
5. Think about the laws and regulations that tour operators must comply with in the course of their work
6. Name three specific jobs that are offered by the major holiday companies
7. Make a list of the costs that a tour operating company will incur in the course of its work

# Links with other travel and tourism component industries



# CD-ROM activity CD13.1

*Investigates the links between tour operators and other travel and tourism component industries*

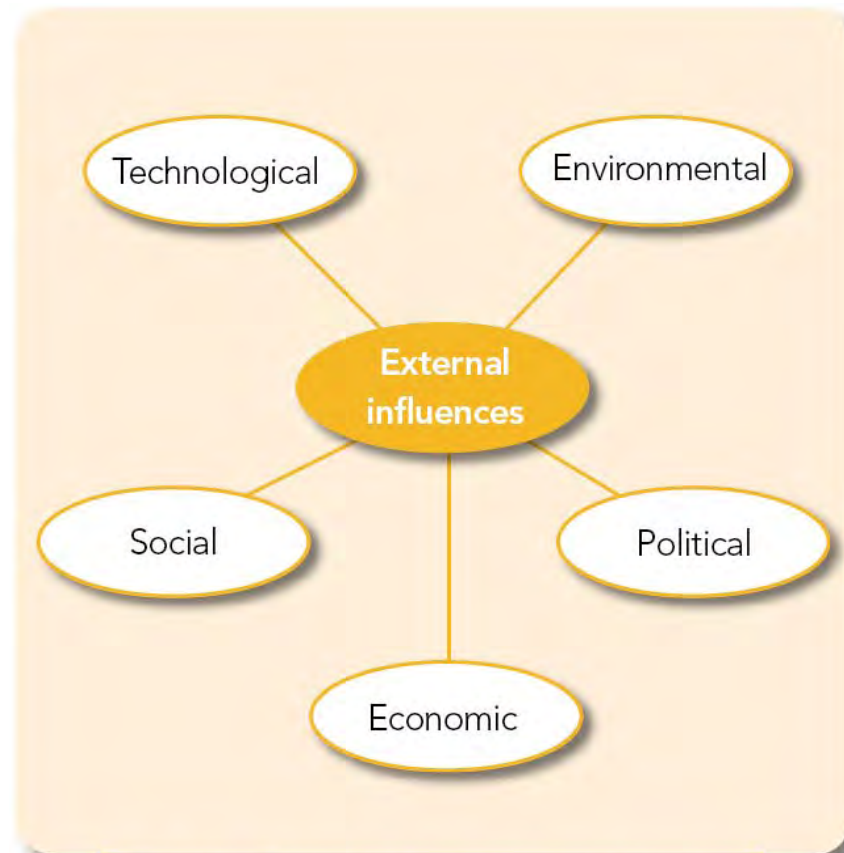


# Vertical integration

Vertical integration in the travel and tourism sector is when a company has control over other companies that are at different levels in the chain of distribution or in different industry sectors, for example:

- TUI Travel UK owns Thomson and First Choice tour operating businesses, and the Thomson travel agency chain (TUI UK is itself controlled by the German company TUI AG)
- Thomas Cook AG (a German group) owns a number of Thomas Cook tour operating brands/companies, plus the Thomas Cook and Going Places chains of travel agencies

# External influences on tour operators



*Fig 13.3 – External influences on tour operators*



# Environmental factors

- Natural disasters, such as hurricanes, volcanic eruptions, floods and avalanches, can have serious consequences on an area's travel and tourism sector
- The Asian tsunami that affected Indian Ocean countries in late 2004 and Hurricane Katrina's devastation of New Orleans in 2005 are examples that are all too familiar, as is the hurricane that devastated much of Haiti in January 2010
- The 2010 eruptions of the Icelandic volcano and subsequent ash cloud over Europe is another case in point. Air travel was halted at an instant, with serious consequences for airlines, tour operators and other travel and tourism industries
- Although tourism can be badly affected very quickly when natural disasters occur, the sector has proved itself to be very resilient in the face of adversity

# Dynamic packaging

- Dynamic packaging is when travellers use the internet to research their holidays and make their own travel arrangements direct with airlines, hotels, car hire companies, etc.
- It offers people greater flexibility than buying standard holidays from a travel agency and can sometimes work out cheaper as well



# Textbook activity



## Activity 13.3

Write a 500-word newspaper article that discusses the impact of challenges facing tour operators and evaluate the effectiveness of two named tour operators that are responding to the challenges.

*This activity is designed to provide evidence for M1 and D1.*

# CD-ROM activity CD13.4

*Investigates  
external influences  
and challenges to  
tour operators*



## SECTION 2

Know the range of products and services offered by tour operators for different target markets

# Top 10 tour operators in 2010

Tour operator	Passengers carried
TUI Travel	5,595,000
Thomas Cook Group	5,431,000
Monarch and Cosmos	660,000
Expedia	582,000
Virgin Atlantic	451,000
Travelworld Vacations	400,000
Co-operative Group	384,000
Trailfinders	347,816
Carnival Corporation	265,000
Kuoni Travel	173,000

# Textbook case study – Thomson Holidays



## Case Study Questions and Activities

1. What are the advantages to TUI UK of owning its own tour operations, travel agency and airline companies?
2. Log on to the Thomson website ([www.thomson.co.uk](http://www.thomson.co.uk)) and make a list of the different tour operating brands that it offers in the UK. Why do you think it has so many brands available to customers?
3. Analyse how TUI/Thomson's portfolio of products and services meets the needs of its target markets.
4. Recommend how TUI/Thomson could expand its range of products and services for its current target markets or adapt its range of products and services to appeal to a new market.

*This activity is designed to provide evidence for P2, M2 and D2.*

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### Weblink



Check out this website to help answer these questions and for more information on Thomson Holidays/TUI Travel.

[www.thomson.co.uk](http://www.thomson.co.uk)

# Tour operators' products





# Package holidays

- At its simplest, a package holiday is an arrangement that includes transport to a destination, accommodation, transfer arrangements and the services of a representative for an all-inclusive price
- Tour operators assemble these different components into a saleable product that meets the needs and expectations of the customer
- They are sold through travel agents and via less traditional distribution channels, such as the internet, TV and call centres