Learning subject: Management of tourism companies

Level: 2nd year of Master

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Academic year 2025- 2026

Chapter 2

Management of travel agencies & Tour operations

Introduction

The passion for travel has given rise to the birth of many travel agencies across the world. Today, travel agencies are playing a vital role not only in selling holiday packages but also in assisting the individuals in completing formalities with respect to getting of Visa and other travel documents.

A. Travel agency

1. Definition:

A travel agency is an organization which sells tour packages, arranges for transportation, accommodation, sightseeing and short trips for travelers on behalf of tourism suppliers such as airlines, car rental companies, hotels, railways and cruise ships.

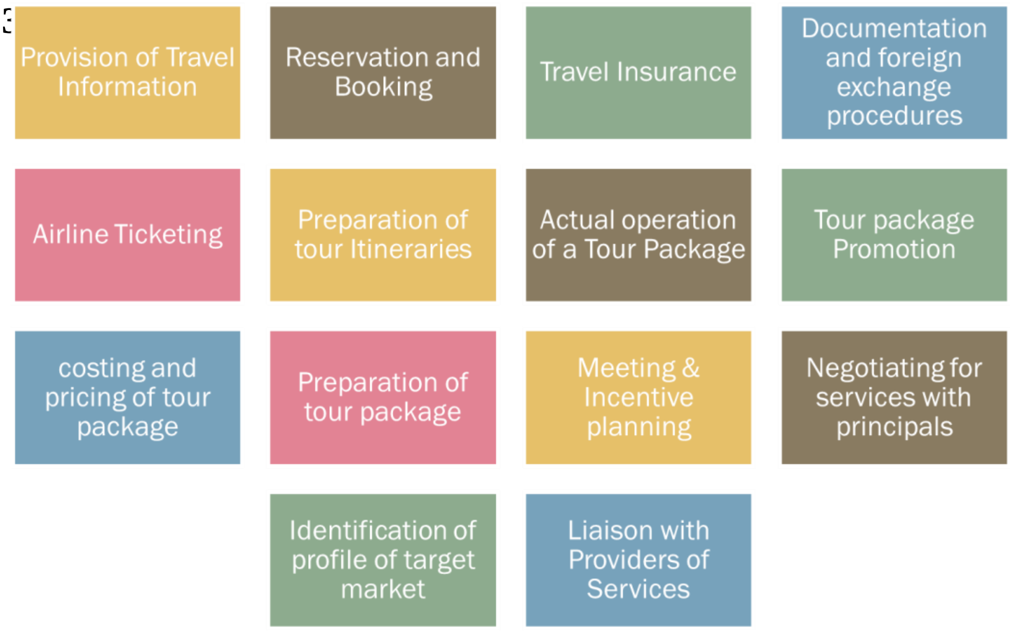
2. History:

- 1670: the age of grand tours especially for educational purposes
- 1815: The invention of steam boat services in 1815
- The 19th century (1800): The role of the travel agent was very simple, he was only responsible for booking rail tickets.
- 1945: after the World War, tourism has become even more popular as more and more people wanted to escape from the post war effects.
- In 1841, Thomas Cook, a British, arranged transportation for 570 rail passengers travelling from Leicester to Loughborough in England, at very cheap fares.(More details in the 4th chapter)
- Henry Wells commenced the same business at the same time in the USA . The American Express Company, popularly known today as AMEX, is a major participant in international transactions, buying and selling huge amounts of foreign currency, and using credit cards.
- Travel agency of 21st century has even greater tasks to perform. With general public access to the Internet, many airlines and other travel companies began to sell their

products directly to passengers. As a consequence, airlines no longer needed to pay the commissions to travel agents for the tickets sold.

- In response, travel agencies publicized their presence through internet by creating their own travel websites, with detailed information and online booking capabilities. Travel agencies also use the services of the major computer reservations systems companies, also known as Global Distribution Systems (GDS), including: Amadeus CRS, Galileo CRS, SABRE, and Worldspan.

Figure No.1 Functions of travel agencies



3. Types of travel agencies

There are different types of travel agencies classified according to several criteria.

- Based on their **functions**, travel agencies can be either intermediary travel agencies, which act as a link between clients and service providers, or organizing travel agencies, which create and sell their own tour packages.
- According to their **distribution chain**, they are divided into retail travel agencies, which sell directly to customers, and wholesale travel agencies, which sell through intermediaries or other agencies.

- In terms of **geographical coverage**, there are multinational travel companies operating in several countries and national agencies that function within one country.
- Considering **flows**, agencies may be outbound, sending tourists abroad, or inbound, receiving tourists from other countries.
- Finally, based on their **size**, travel agencies are classified as small-scale, medium-scale, or large-scale enterprises.

B. Tour operators

1. Definition

A tour operator is a company that gathers different tourism services, such as transportation, accommodation, and activities, from various suppliers and combines them into a package tour sold at a single price to the public, either directly or through intermediaries. Tour operators are often called the "manufacturers of tourism products" because they create complete travel experiences. Some own parts of the supply chain (like hotels, vehicles, or guides), while others purchase services from external suppliers. Although sometimes compared to wholesalers, tour operators differ in that they design and market their own unique packages, such as "inclusive tours."

They offer a wide variety of tour packages to meet the needs of different travelers. While most packages are sold through travel agents, large tour operators may also sell directly to customers through their own outlets or online. In major companies, tasks are highly specialized, some staff negotiate with hotels and transport providers, while others handle marketing materials such as brochures and promotional content.

2. Types

- **Inbound Tour Operators**: Also called incoming operators, they receive and handle foreign tourists in the host country. Their main role is to organize all local arrangements, transport, accommodation, and sightseeing, for visitors arriving from abroad. To stay competitive, they must innovate through special interest tours that meet diverse traveler needs.

- **Outbound Tour Operators**: These operators promote and organize trips from the home country to international destinations for leisure or business purposes.
- **Domestic Tour Operators**: They create and sell inclusive tours within the home country. Their packages serve local travelers, covering national destinations and providing complete travel services such as transport, accommodation, and excursions.
- **Destination Management Companies** (DMCs) / Ground Operators: Also known as handling agencies, they manage on-the-ground arrangements for foreign tourists on behalf of overseas tour operators. They ensure smooth coordination of travel activities (e.g., beach, wildlife, heritage, or cultural tours) according to pre-arranged packages. When operations span multiple locations, DMCs often subcontract services to local agencies in those areas.

3. Difference Between Travel Agencies and Tour Operators

A tour operator is a company that creates and sells complete travel packages by purchasing services, such as accommodation, transport, meals, and entertainment, from various suppliers and combining them into a single product with its own pricing system. Tour operators act as producers or manufacturers of tourism products.

A travel agency, on the other hand, acts mainly as a sales intermediary between the tour operator and the customer. It promotes and sells the tour operator's packages to travelers, earning a commission or fee for each sale. Because travel agencies add their own service charges, their prices are often slightly higher than those offered directly by the operator, though sometimes they may lower prices to attract customers.

Tour operators often have subsidiaries or partnerships with many travel agencies across different countries to expand their market reach. The more partner agencies they have, the greater their potential sales volume and profit. In short:

Tour operators: create and organize travel packages.

Travel agencies: sell those packages to customers.