

INTRODUCTION TO TOUR AND TRAVEL MANAGEMENT

Overview of the Travel and Tourism Industry

The tourism industry is composed of different sectors directly involved in serving tourists. One of these sectors is the **travel trade**, which is comprised of people and companies that resell travel products and services they have bought and/or reserved from other parties. Workers in this sector are usually the **middlemen** in the transactions between the tourism sector and their clients. It is mainly composed of **travel agencies** and **tour operators** (Tuazon-Dismulacion, 2016).

Tour operators create complete travel packages that they can sell directly to tourists through their own offices, websites, or marketing channels. They also sell indirectly by offering their packages to intermediaries such as retail travel agencies. This allows them to reach both individual clients and a broader customer base through partner resellers. **Travel agencies**, on the other hand, primarily resell packages created by tour operators or wholesale travel agencies to clients. They also sell individual travel products such as flights, accommodation, and tours to clients on behalf of suppliers. While they do not commonly create full tour programs, in smaller or local markets, some travel agencies may assemble basic travel components like flight, hotel, and transport into simple packages, temporarily functioning as tour operators. However, this practice is more limited and informal compared to the role of actual tour operators (Herrera et al., 2021).

The origins of travel agencies can be traced back to the 18th and 19th centuries, when pioneers such as Richard Cox and Thomas Cook played instrumental roles in laying their foundations. Initially, travel intermediaries facilitated journeys primarily for trade and religious purposes, operating in a limited and localized manner. **Richard Cox** founded Cox & Kings in 1758, which remains the world's longest-established travel company. Originally serving military clients, the company eventually diversified into broader travel-related services, including destination management, leisure travel, meetings, incentives, conferences, and exhibitions (MICE), and trade fairs. On the other hand, **Thomas Cook**, widely recognized as the "Father of the Travel Agency Business," initiated organized railway and steamship excursions in 1841. His groundbreaking work introduced the concept of the first international package tour (England to Paris in 1855) and the innovative idea of inclusive tours, which combined transportation, accommodation, and sightseeing into a single package. His efforts popularized travel among the middle class and expanded the reach of tourism beyond the elite.

Today, travel agencies and tour operators continue to serve a critical function. Their operations have been fundamentally reshaped by digitalization, automation, and global connectivity. Online booking platforms, e-commerce, and Artificial Intelligence (AI)-driven personalized travel solutions have revolutionized how travel services are marketed and consumed. Despite these rapid advancements, the core mission of the travel trade sector remains unchanged: to provide seamless, enriching, and accessible travel experiences to people across the globe.

As the sector continues to expand and evolve, it becomes essential to examine the specific roles and functions of the key players that drive its operation. Travel agencies and tour operators are not only the backbone of the travel trade sector but also serve as strategic facilitators that translate complex logistics into seamless travel experiences.

Types and Services of Tour Operators and Travel Agencies

Travel agencies and tour operators play pivotal roles in the travel industry. They act as intermediaries between travelers and various service providers, performing multiple functions such as organizing, planning, and promoting travel experiences. They make trips easier and more convenient for tourists by handling the details and offering advice, helping travelers have smooth and enjoyable journeys.

Types of Travel Agencies

Travel agencies are divided into two (2) major categories according to the nature of their operations (Tourism Notes, 2025):

- **Retail Travel Agencies** – A retail travel agency sells tourist products to the public on behalf of the suppliers (airlines, hotels, restaurants) and, in return, gets commissions. They may sell some package tours with a markup on the price. When a travel agency sells a tour at the marked-up price, it means that first, it marks up the cost of the tour and then sells it at a higher price. The markup price is the difference between the retail price and the wholesale cost.
- **Wholesale Travel Agencies**—A wholesale travel agency specializes in combining and assembling package tours, which are marketed to customers or tourists through the network of a retail travel agency or directly to prospective clients (if the wholesale travel agency has a retail division). They also purchase tourists' product components in bulk from suppliers and design tour packages to resell them to other travel business organizations. While both wholesalers and tour operators play a role in packaging and distributing travel services, tour operators offer direct, comprehensive, and more customer-facing services, while wholesale travel agencies act more as behind-the-scenes suppliers to other travel businesses.

Types of Tour Operators

Tour operators are categorized into four (4) types. These categories are based on the nature of the business and its operations (Claravall, 2013).

- **Inbound Tour Operators (ITO)** – They receive tourists, clients, or guests coming from another country and handle their tour arrangements within the host country. They are locally based and normally offer tourists local destinations, attractions, and other services. They are also typically affiliated with local travel agencies and collaborate to promote the travel industry within their community.
- **Outbound Tour Operators (OTO)** – They promote tours to foreign destinations. They normally work with international travelers and offer specialized tour packages in a particular region outside their country. Their role is to develop and create tour packages that will allow tourists to visit and enjoy their stay in a different country or from one country to another.
- **Domestic Tour Operators (DTO)** – They create and assemble travel components into all-inclusive tours and market them to domestic travelers. They provide travel services within the country of the tourist's residence. They operate tour packages composed of travel components within the boundaries of the home country and offer them to domestic travelers.
- **Local Tour Operators (LTO)** – They are focused on providing tailored travel experiences for both domestic residents and international visitors in the destination where they operate. By leveraging their in-depth knowledge of the region's culture, attractions, and activities, LTOs curate unique itineraries that highlight the distinctive features of the area. They often foster relationships with local vendors, guides, and accommodations to ensure authentic and immersive experiences for their clients. They operate regular sightseeing tours and tour packages and sell the same directly to tourists or to other tour operators and travel agents.

Tour operators play a crucial role in shaping the travel experience, with each type serving specific market segments based on the scope and nature of their operations. In practice, many tour operators often perform overlapping roles, especially in today's globalized and highly connected travel environment. A single tour operator may simultaneously offer inbound services for foreign visitors, outbound packages for local residents, and domestic or local tours tailored for nearby travelers. Their ability to function across multiple categories

allows for greater flexibility, operational efficiency, and responsiveness to shifting market demands. Ultimately, whether focused on international or local travel, tour operators contribute significantly to the growth of the tourism industry by creating accessible, organized, and enriching travel experiences for diverse clientele.

Services of Travel Agencies and Tour Operators

Travel agencies and tour operators perform complementary and interconnected roles in the tourism industry. Both aim to create smooth and enjoyable travel experiences for tourists by coordinating a wide range of services. Below are some of their key functions and services (Herrera, 2021).

- **Providing Travel Information.** They offer accurate, timely information about destinations, visa and immigration requirements, weather, health and safety regulations, transportation, and accommodations.
- **Itinerary Preparation.** They assist clients by creating personalized travel plans that include destinations, transport schedules, accommodation, sightseeing activities, and estimated costs.
- **Handling Reservations.** They book hotels, transportation, attractions, and other essential services to ensure a seamless experience for the traveler.
- **Tour Packaging and Costing.** They assemble travel components, such as flights, hotels, transfers, and tours, into bundled packages. Costing is determined through supplier negotiations and pricing strategies.
- **Travel Insurance Assistance.** They offer or coordinate travel insurance coverage for health emergencies, accidents, cancellations, or loss of belongings.

Travel agencies and tour operators are fundamental pillars of the tourism industry, each contributing uniquely to the planning, promotion, and execution of travel experiences. Despite these distinctions, both entities share several core functions that are essential to ensure traveler satisfaction. Their collaborative efforts not only simplify the travel process but also promote tourism growth, create employment opportunities, and contribute significantly to the global economy. As tourism continues to evolve with technological advancements and changing consumer preferences, the complementary roles of travel agencies and tour operators remain vital in delivering efficient, enriching, and well-coordinated travel experiences.

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