

THE  
Travel Industry  
THIRD EDITION



CHUCK Y. GEE • JAMES C. MAKENS • DEXTER J. L. CHOY

A stylized, high-contrast map of Asia and Oceania is positioned on the left side of the cover. It includes the outlines of the Asian continent, the Philippines, the Indonesian archipelago, and Australia. The map is rendered in white against a textured, grey background.

# *The* Travel Industry

THIRD EDITION

Chuck Y. Gee  
James C. Makens  
Dexter J.L. Choy

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# Foreword

On the threshold of the third millennium, the travel and tourism industry represents one of the best opportunities for the economic and cultural development of the peoples of our planet.

Indeed, no other industry has, on a global level, a similar capacity to generate employment, income, and wealth, and no other sector—save possibly that of information—can contribute in a similar way to the strengthening of cultural diversity and the cause of peace. Two hundred million jobs and almost six hundred million international tourists pay eloquent testimony to the importance of this industry, which is growing at a rate at least double that of the world economy as a whole.

But the *future is not what it appears to be* and the development of the industry will differ greatly from that of the past decades. The *Fordian age* of tourism (i.e., the age of non-differentiated products and massive consumption) has been lagging behind, and with it the rapid growth of demand that made it possible to supply almost any type of tourism product, ignoring considerations of quality or environmental and cultural impacts. In actual fact, some tourist resorts may have been the victims of their own success during that stage, having on occasions devoured their natural and cultural resources under the influence of a tourist influx that was too concentrated in time and space and travelers who were ill-prepared for *understanding* their surroundings.

The tourism industry finds itself at this moment in the midst of a paradigm shift. The old rules become more irrelevant by the day: from mass demand we have gone on to supersegmentation; from the rigidity of products and services to the need to adapt to heterogeneous and rapidly-changing demand; from profitability based on mass production to system economies and integrated values.

The new tourism management paradigm, which I have been calling the *New Age of Tourism* (NAT), has different rules: it is no longer a question of producing more at lower prices; global competition and supersegmentation demand new management strategies.

Among these strategies, it is interesting to underscore here the vital role of information and know-how in the NAT. Information understood as data useful for management decision-making in real time, and know-how in a broad sense that should encompass both the traditional technological area of R&D and the *humanology* of education, training, and conceptual innovations.

In this context, the book *The Travel Industry* has special relevance. Its authors, Professors Chuck Y. Gee, Dexter J.L. Choy, and James C. Makens are well known for their significant contributions to tourism research and education. Chuck Gee has a very wide experience in teaching tourism in his capacity as Dean of the School of Travel Industry Management at the University of Hawaii for the last 30 years and a well-established



lished reputation as researcher and advisor, through his intensive activity as author of books and professional associations and his many years of professional attachment to the World Tourism Organization, governments throughout the world, and many other public institutions. Dexter Choy is a Professor at the School of Travel Industry Management, a well-known author of scholarly publications, with research ranging from airline pricing to tourism forecasting and planning in developing countries; he has lectured extensively in executive in executive seminars for many international audiences. James Makens has a twenty-five-year experience in the travel industry, working as a consultant to airlines, hotels, restaurant chains, tourism ministries, and heritage restorations; he has many publications on hospitality, travel agency management, and tourism marketing and is currently a faculty member in the Babcock Graduate School of Management at Wake Forest University. Professors Gee, Choy, and Makens, who with their first edition of 1984 and second edition of 1989 already achieved a benchmark, are now managing this, their third edition, to come closer still to the point of educating by asking the relevant questions and providing the appropriate information so that the reader may answer those questions for himself, and create an appropriate conceptual structure in the process.

*The Travel Industry* begins by offering a very necessary global vision of the sector in the NAT and clarifying basic concepts for understanding the structure and interrelations of the tourism industry. Farther on, the book penetrates into an area that I consider absolutely essential despite its absence in other works, i.e., the role of government and the non-private aspects of tourism. At a time when highly-developed countries appear to be questioning the expediency of public policies in the tourism area, it is vital to examine the evidence for and against tourism policy, regardless of general considerations about the size of government. What is really important is to define the contents of that tourism policy and then to consider who can implement it most efficiently.

Finally, *The Travel Industry* studies the most important tourism subsectors, and it does so with highly-topical information, projecting a live image of the current situation and of foreseeable developments in hospitality, transport of travelers, and the distribution of tourism products.

*The Travel Industry* is equally useful for the student and for professionals who work and think within the sector and who need a panoramic view of it, rich in information and thought-provoking know-how. A symbiosis of knowledge of the tourism industry and scientific treatment of it is seldom seen; *The Travel Industry* achieves this. If, as is often stated, the aim of education is to prepare us for constantly asking questions, there is no doubt that the work of Gee, Choy, and Makens is an excellent tool for tourism education, a tool that, in passing, also provides us with intelligent replies to many of those questions.



Dr. Eduardo Fayos-Solá  
Director, Education and Training  
World Tourism Organization  
Madrid

# Preface

The travel industry has been hailed as one of the great growth enterprises of the 21st Century. According to futurist John Naisbitt, three industries will lead the global information-driven economy of the next century—telecommunications, information technology, travel and tourism. Recognizing the travel industry's enormous untapped economic potential, the first ever White House Conference on Travel and Tourism, attended by one of the coauthors, was convened in October, 1995, to bring together all sectors of the industry, including airlines, lodging, restaurants, attractions, tour operators, travel distribution, retailers, travel and entertainment card companies, tourism educators and hundreds of other players along with local and state government officials, congressional leaders, members of the cabinet, the Vice President and the President of the United States to develop a public policy position for this fragmented and perhaps least understood engine of the American economy.

Even within the walls of academe, travel and tourism as a field of study is not always well understood, for it is a field cutting across many disciplines. European universities tend to study tourism as a macro analysis of a developing industry, including applied tourism research and tourism policy analysis. American universities, on the other hand, are inclined to concentrate on micro analysis and the needs of organizations supplying visitor services. From a macro perspective, tourism may be considered from such aspects as environmental impact and the use of natural resources, culture and the arts, changing lifestyles and social values psychological motivations, political decisions or economic variables. From a micro perspective in the "industry" sense, travel and tourism can be narrowed to specific subjects as transportation management and logistics, hotel and restaurant management, travel and tour operation, destination planning and development, convention and business meetings, or recreation and leisure activities. In either approach is the overlay of functional business subjects in marketing, management, human resource development, finance and investments, law and regulations, technology and other areas applied to the tourism field.

In short, the phenomenon of travel and tourism can be studied from different angles, depending on the educational or training objectives to be achieved. In the first edition of this book, our objectives were to introduce concepts about travel as an interlinked industry composed of many sectors and to acquaint students to different industry practices within both public and private sectors. Our intention was for students to acquire a comprehensive understanding of a very large and complex industry from both a macro and micro perspective, including research, development and trends, marketing and management aspects. These objectives still hold true for this third edition as it did for the second

edition, which was prompted by changes brought by deregulation, new technological developments, increased worldwide competition, shifting travel patterns, social and economic instabilities and international politics. In our third edition, we continue to focus on the dynamism of the national and the global travel industry, and to chronicle the changes that have occurred since 1989. Since then, many more nations have opened to the world of tourism as political systems restructured with the end of the cold war. Airlines are moving towards greater efficiencies and consolidation after a decade and a half of deregulation, offering a staggering array of fares that change from hour to hour with the aid of yield management systems. Travel agencies fret for their very existence with the capping of commissions and the introduction of ticketless travel, forcing this sector to consider a different role and to pursue different relationships within the travel distribution system. The accommodations sector, like others, has moved towards greater market segmentation to offer a dazzling choice of lodging niches to fit every pocketbook level. And technology is changing the face of everything from the way industry operates to the way people access travel information or book reservations. Through all of these changes, the industry has continued to grow and to retain its position as the world's largest economic activity, estimated at \$3.4 trillion in terms of output in 1995.

*The Travel Industry* is designed as a introductory textbook for students interested in travel distribution, tourism development, hospitality management and other leisure business-related fields. Each chapter in the text covers a distinct topic that serves as one of the building blocks in the architecture of the industry.

In each chapter, we provide a list of learning objectives and key terms at the beginning, and a short summary and discussion questions at the end. Additionally, we have now included suggested exercises that students may do individually or collectively to further their understanding of the topic. In some instances, these exercises may be a short case study or a practical exercise to assess tourism practices in the community.

Throughout the text, students will be exposed to ideas that may suggest possible career options within the worldwide travel and tourism industry. The industry, as students will discover as they delve into the subject, is an exciting world offering unlimited opportunities—but it is also one that will demand greater knowledge, total commitment and the highest degree of professionalism from those who would seek to enter its portals in tomorrow's incredibly competitive environment.

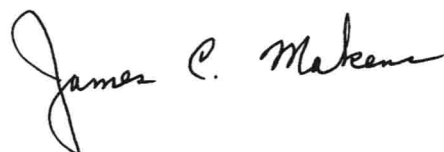
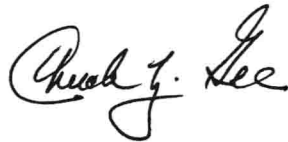
# Acknowledgments

The third edition of *The Travel Industry* contains even more extensive revisions than did the second edition. While many of these revisions simply reflect the fact that much more information is available than ever before about the dynamic travel industry, other revisions were born from the excellent suggestions of the various reviewers of the initial draft chapters and the executives at Van Nostrand Reinhold who supported us in the editorial and production processes of this third edition.

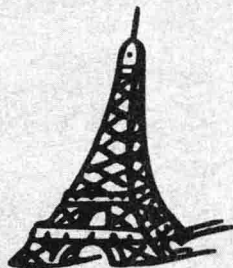
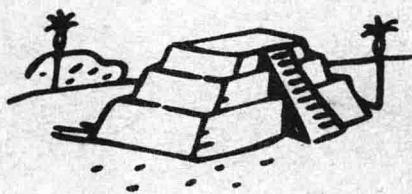
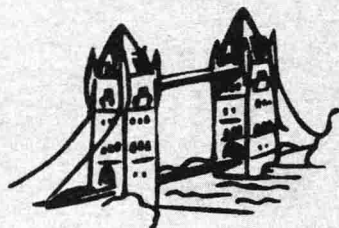
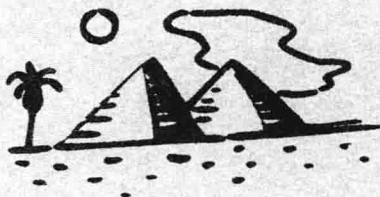
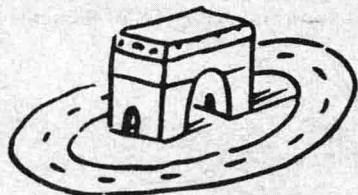
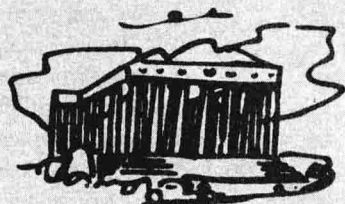
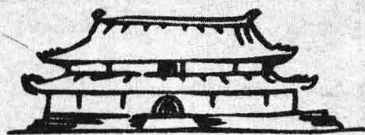
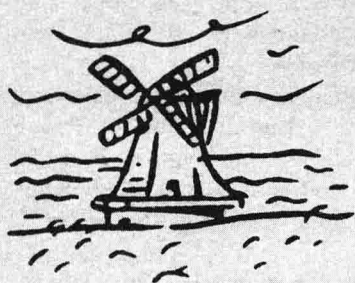
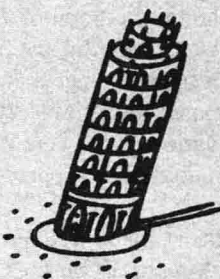
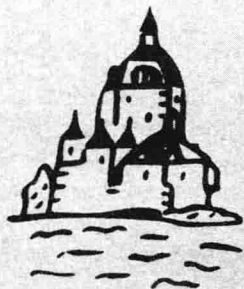
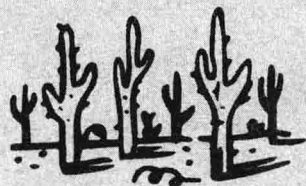
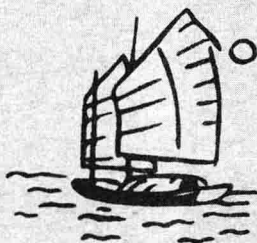
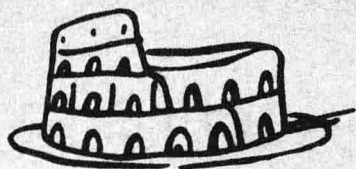
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Finally, the authors owe thanks to the individuals and organizations that have allowed us to reproduce their materials or contributed original materials and photographs used as illustrations. They have been individually credited in the appropriate chapters of the text.







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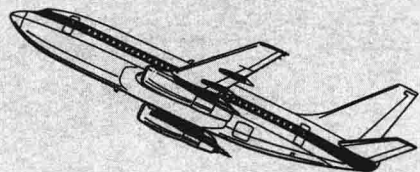


# Part 1

# Overview of the Travel Industry

Part 1 introduces the concept of travel as an industry network and provides an overview of its historic and current development. It begins with definitions of travel and tourism, and identifies the types of businesses included in the travel industry. These basic definitions are important for understanding the scope of the travel industry, as well as for measuring the volume and flow of travel.

The importance of the travel industry to world economics has raised many questions about the shifting role of services versus production-based industries within the economy. Factors influencing growth in both domestic and international travel are discussed, as are the motivations for travel. The need for the application of marketing research, which is a critical element underlying tourism development and promotion, is emphasized.





# The Travel Industry Network

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## LEARNING OBJECTIVES

- To appreciate the scope and types of businesses within the travel industry.
- To understand the linking concept and components of the industry.
- To understand the evolution and use of the term “tourist.”
- To understand internationally-accepted definitions of tourism and classification of travelers.

- To be able to define and use the following terms:

Development organization

Outbound tourism

Direct provider

Support services

Domestic tourism

Tourism

Excursionist

Tourist

Inbound tourism

Travel industry

Linking concept

Visitor

## THE TRAVEL INDUSTRY—DOES IT REALLY EXIST?

It is often debated whether there truly exists a **travel industry** in the sense of a distinct group of enterprises such as the steel, automobile, or electronics industries. Part of the problem is that the term *industry* itself is more commonly identified with manufacturing and production-based enterprises—a point of no small consideration to public policymakers in determining import/export quotas, tariffs, employment, national economic importance, and the like. The other part of the problem is that the travel industry is not one industry but, in reality, a collection of businesses—all selling travel-related services. The general public is likely to be more familiar with each component of the travel industry, that is, the airline industry, the hotel industry, the restaurant industry, or the entertainment business. The individual industries also do not necessarily act together as an integrated group and very often have conflicting views among themselves. In addition, there are businesses involved that serve both travelers and residents with respect to eating, shopping, recreation, and entertainment.

An early definition of the travel industry simply called it “that part of the national economy which caters to the traveler who is visiting places outside the locality where he/she resides or works.” (1) Travel was not looked upon as an industry, but as a collection of businesses whose only common link was providing services to travelers.

The fact that there exists a travel industry is becoming increasingly less academic and more real as common denominators are identified and links among travel-related businesses are established through communications and practice.

## PRIVATE AND PUBLIC SECTORS

Although the early definition is not entirely obsolete, it tends to reflect the simpler conditions that preceded the modern tourism movement beginning in the 1950s and to focus on only the private sector of the economy. The travel industry today involves both the private and public (that is, the government) sectors of the economy in the development and production of products and services for travelers. In many countries, the production of travel services, in fact, is both regulated and operated by the government. Governments today also have invested heavily in developing the travel industry as a source of economic growth for their areas. In recent times, travel and tourism have been included in regional trade pact negotiations as well. Consequently, the role of government must be explicitly recognized in any definition of the industry. We will discuss the public sector role in tourism in Part 2.

## DEFINING THE TRAVEL INDUSTRY

For our purposes throughout this text, the travel industry will be defined as “the composite of organizations, both public and private, that are involved in the development, production, and marketing of products and services to serve the needs of travelers.” Such a broad definition of the travel industry raises the question of which agencies, organiza-