

TRAVEL & TOURISM MARKET ANALYSIS & INDUSTRY BEST PRACTICES



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Executive summary

Accounting for more than 10% of global GDP and the creation of one in five new jobs according to the World Travel and Tourism Council, travel and tourism continues to be one of the world's fastest-growing industries. It is also an industry undergoing rapid transformation, shaped by new technologies and the needs and values of an increasingly diverse range of travellers and markets.

Emerging trends in sustainability, luxury, technology, and innovation are all influencing the future direction of the tourism industry. The shift from materialism to the experiential is also shaping travel. Moreover, the United Nations declaring 2017 as 'International Year of Sustainable Tourism for Development', strengthened the sustainable tourism agenda. This is reflected in policy objectives in many nations, with measures adopted to enhance tourism impact surveillance, extend accreditation systems, encourage the use of latest innovations and green financing tools, and overall promote viable and culturally inclusive development in tourism.

The past years have also seen a growing recognition of the importance of the development, management, and promotion of local destinations, supported by regional or local structures and funding, and the preparation, and execution of destination management plans. In order to create and market unique products, a broad variety of measures have been adopted. There were several instances of effective national and thematic branding in marketing operations. Many countries have developed unique products and experiences depending on their natural and cultural resources and have pursued possibilities for year-round development by promoting health and wellness tourism, business tourism activities and an array of diverse niche products. Tourism strategies continue to offer high priority to possibilities provided by digitalization, in competitive and targeted communication as well as in information processing and evaluation.

In addition, the growth of international travel, notably from the Chinese and other Asian markets, is providing opportunities in all

continents. Further action has been taken to improve connectivity and reduce barriers to travel, including visa requirements and entry procedures, while also addressing growing concerns about security and several nations have reinforced domestic business promotion, including measures to increase vacation possibilities for all. In addition, supply-side strategies to enhance competitiveness have been implemented, which include promoting investment and simplifying business regulations while recognizing that laws may need to be extended and elaborated in developing regions- such as informal tourism services offered through internet platforms.

In many countries, the need to tackle labor and skill shortages in the industry is recognized as a main problem, needing intervention to strengthen the awareness and attractiveness of tourism professions and provide the accessibility to appropriate training.



¹ Travel Tourism continues strong growth above global GDP. (2019)

² Exports From International Tourism Hit USD 1.7 Trillion. (n.d.)

³ Manzo, G. G. (2019). The economic impact of Travel & Tourism.

⁴ UNWTO World Tourism Barometer and Statistical Annex, May 2019. (n.d.)

Key Findings

- The World Travel & Tourism Council's (WTTC) research reveals that the sector accounted for 10.4% of global GDP in 2018. ¹

- **Export services:** Total exports from international tourism reach USD 1.7 trillion in 2018, or almost USD 5 billion a day on average. The division of overall spend is firmly weighted towards the leisure market, which represented 78.5% of the total compared with 21.5% for business spend, and the sector accounted for 6.5% of total global exports and 27.2% of total global service exports. ²

- **Employment:** Tourism is employer to 1 in 10 jobs globally, 319 million jobs, or 10% of total employment in 2018.

- **Rise in the number of middle-class** households and the solid growth in global consumer spending once again enabled the Travel & Tourism sector's growth to reach 3.9%, outpacing the global economy for the eighth consecutive year.

- **In 2018, the United States, China, Japan, Germany, and the United Kingdom** were the top five countries, comprising 47% of the worldwide GDP for travel and tourism.

- **Across the regions** in 2018, Asia-Pacific remained a strong performer, growing by 6.4%.

- **North Africa's performance** – with 8.6% year on year growth – is impressive and to watch for, also proving the destinations capacity to comeback from crisis.

- **Specifically:** Ethiopia, Ecuador, St. Kitts and Nevis, Egypt and Turkey led the world for Travel & Tourism GDP growth in 2018. ³

- **First quarter of 2019:** Growth was led by the Middle East (+8%) Asia and the Pacific (+6%), Europe and Africa (both +4%) and the Americas (+3%) also recorded an increase in arrivals. ⁴



Structure of the report

This report is a comprehensive outlook of the travel and tourism sector; in this framework, it provides a thorough analysis of the industry and elaborates on the key challenges and the emerging trends that shape its landscape and future.

In further detail, **SECTION 1** provides an introduction to the industry: as such, it breaks down its key activities, identifies adjacent markets, and highlights significant industry developments. In addition, the section offers forecasts and insights regarding the financial performance of the sector, as well as its dynamics.

SECTION 2 breaks down the industry in its respective sub-segments, identifies its products and services, and maps out the global environment of tourism and travel and its operations; it also focuses on the key trends and challenges that shape the sector.

SECTION 3 deals with the sector's finances in a more elaborate way: as such, it distinguishes among specific business models in the industry, and provides a look into new technologies and systems.

SECTION 4 focuses on the sectors surrounding environment; concepts related to the industry's competitive landscape are brought in context and become the focal point of analysis.

SECTION 5 looks into the employment patterns of the sector. In this framework, the section brings up issues related to recruitment, retention and turnovers, and, as such, attempts to draw a full picture of the sector's workforce and its characteristics.

Finally, **SECTION 6** identifies best practices, indicates optimal ways to achieve sustainable growth, and concludes with key guiding points; as such, the section also provides a comprehensive action plan and a guide for future ventures.



Objectives & study scope

This study has assimilated knowledge and insight from business and subject-matter experts from the travel and tourism industry. The objectives of this market research report are to provide actionable intelligence on opportunities, as well as fact-based information on key factors influencing the market-growth drivers, industry-specific challenges and other critical issues in terms of impact.

The report in its entirety provides a comprehensive overview of the current global outlook of the travel and tourism industry, as well as notable opportunities and challenges.

The analysis reflects market size, latest trends, growth drivers, threats, opportunities, as well as key market segments. The study addresses market dynamics in several geographic segments along with market analysis for the current environment and forecasts.

The report also segments the market into various sections and subcategories affecting and comprising this industry and also studies various growth drivers and restraints impacting the market.

It contains a comprehensive guide of the key players and structure of today's travel.

This analysis also examines the competitive climate within the market. The factors are assessed by examining barriers to entry and market opportunities. Strategies adopted by key players including recent developments, new product launches, merger and acquisitions, and other insightful updates are provided.



Research Process & Methodology

Our clients use our insights, critical analysis, statistics and forecasts to help make strategic business decisions and grow their organizations.

Our research collection offers unique industry perspective, qualitative and quantitative focus.

The quantitative analysis is strengthened by a qualitative assessment, based on a literature review, stakeholder contributions and case studies, as a means of exploring and illustrating the present scenario and the growth prospects of the market. By changing key assumptions driving the results, a sensitivity analysis can assess a range of potential alternative economic outcomes.

We leverage extensive primary research, our contact database, knowledge of companies and industry relationships, patent and academic journal searches, and Institutes and University associate links to frame a strong visibility in the markets and industries we cover.

We draw on available data sources and methods to profile developments. We use computerized data mining methods and analytical techniques, including cluster and regression modelling, to identify patterns from publicly available online information on enterprise web sites.

Historical, qualitative and quantitative information is obtained principally from confidential and proprietary sources, professional network, annual reports, investor relationship presentations, and expert interviews, about key factors, such as recent trends in industry performance and identify factors underlying those trends - drivers, restraints, opportunities, and challenges influencing the growth of the market, for both, the supply and demand sides.

In addition to our own desk research, various secondary sources, such as WTC-World Travel Council, Euromonitor International, UNWTO-World Tourism Organization, Harvard Business Review, Statista, OECD and the TSA are referred to identify key players in the industry, supply chain and market size, statistics, determination of segments and subsegments with respect to individual growth trends, prospects, and contribution to the total market.

SECTION 1

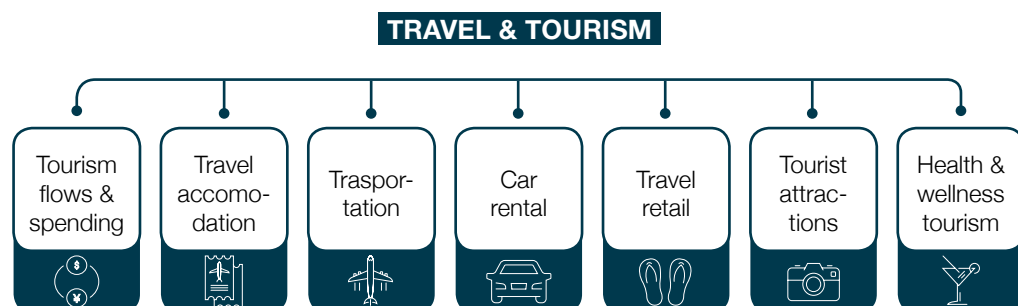
Travel & tourism overview

Tourism is the endeavour of people traveling to and remaining in locations outside their usual residence for not more than one full year for recreation, business, and other purposes.

This complex industry affects many individuals and economic aspects, and for many, a holiday is increasingly viewed not as a luxury, but as a requirement, and this trend is likely to stay.

Even though passenger transportation is not part of the tourism industry, it is a vital element, since it is an undisputable enabler for all tourism activities, including flights, ships, railways, and all other forms of travel. The tourism sector is generally considered to encompass a number of diverse components, in particular: accommodation, transportation, car rental, attractions, travel organizers and intermediaries.⁵

Figure 1. ⁶: Global Travel & Tourism Categories



⁵ Euromonitor International. (2011). Travel and Tourism Global Overview.

⁶ Figure 1: Global Travel & Tourism Categories.

⁷ World Tourism Organization. (2008). Understanding Tourism: Basic Glossary.

There are different categories of tourism classifications based upon the following characteristics;

- the length and duration of stay;
- the reason for taking the trip; (e.g. holiday, business, visiting relatives)
- the characteristic of the trip- such as domestic or cross border destination;
- features of the destination being visited such as rural, urban, seaside, mountain;
- the distance traveled to reach the destination; (short or long-haul)
- the kind of tourists visiting; (family, youth etc.)⁷

⁸ Public, Private and Voluntary sector. (n.d.)

⁹ Figure 2: Structure of Travel and Tourism Sector.

Travel and tourism structure

Introduction

The structure of the travel and tourism industry is intricate because it is composed of a vast synergy of commercial and non-commercial organizations and is primarily private-sector steered, with the majority of businesses being small and medium sized.

These corporations synergistically collaborate in order to produce and deliver the tourist product or rather the totality of the tourist experience.

The make-up of the sector includes:

Commercial / Private organizations

Private sector or commercial organizations ranging from tour operators and Online Travel Agents (OTA's) to airlines and hotel chains; and whose main targets are achieving profit, companies such as Expedia Group, Carlson Wagonlit Travel, BCD Travel, Hilton Hotels, Carnival cruise lines, Lufthansa airlines, are to name a few.

Non-commercial organizations / public sector

Public sector organizations are funded by the national and local government. The aim of the public sector is to educate, inform and provide a service to its customers. Although government is not classed as a sector of the tourism industry, it has a major influence on this industry because it plays an important role in tourism planning, advising, promotion and regulating the industry.

Some examples of Public sector organizations are: *Tourism boards, visitor info centres, museums etc.*

The government's role is to organize the tourism sector and the impact it has on the economy and culture, socially, industrially and on the infrastructure, as well as to ensure a good and sustainable growth and development of the destination.

In addition, the existence of international organizations such as the United Nations World Tourism Organization (UNWTO), which is a specialized agency of the United Nations and the leading international organization in the field of tourism, is important to mention. It serves as a global forum for tourism policy issues and a practical source of tourism know-how.

Voluntary sector organizations

Voluntary sector organizations are often charities or trusts. They are funded mainly by their members, entrance fees to attractions, fundraising, and donations. The aims of voluntary sector organizations are to preserve, protect, and promote their cause. They are usually staffed by a mixture of paid managers, workers and volunteers.^{8,9}

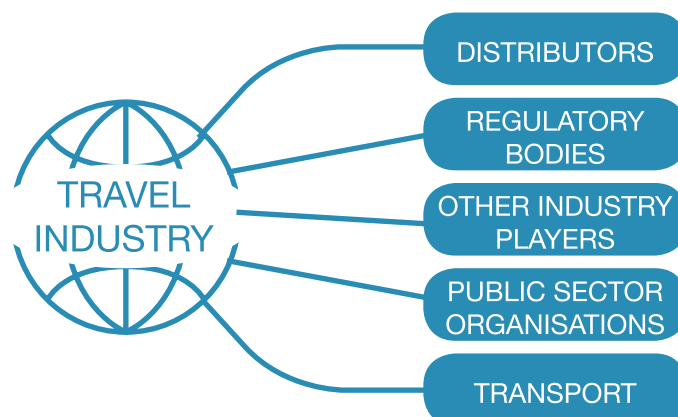


¹⁰ OECD Tourism Trends and Policies 2018. (n.d.).

¹¹ Ibid,9

¹² UNTWO Publications. (2014). Measuring Employment in the Tourism Industries-Guide with Best Practices.

Figure 2: Structure of Travel and Tourism Sector



Industry Definition

The travel and tourism industry is a large group of businesses with the common goal of providing travelers with the necessary or requested products and services. Over the years, developments in infrastructure and technology have allowed more individuals to move greater distances at a lower price, expanding tourism around the globe. From humble roots, travel and tourism has become one of the biggest sectors in the world. Moreover, tourism is frequently described as leisure activities for visitors to be part of while traveling to a location and it is basically a collection of interconnected operations.

Tourism has many dynamics, it is a social, cultural and monetary practice that involves moving individuals to locations for private or business reasons and outside their usual setting. These individuals are called visitors and tourism has to do with their practices, some of which conjecture tourism expenditure. As such, tourism has consequences for the industry, the climate, the destination's local inhabitants and the visitors themselves.

The three main types of tourism types can be differentiated as follows;

Domestic tourism involves the activities of a resident visitor within the country in question.

Inbound tourism involves the activities of a non-resident visitor within the country in question.

Outbound tourism involves the activities of a resident visitor outside the country in question.¹⁰

Tourism sector

As considered in the Tourism Satellite Account, the tourism industry is the group of manufacturing units in various sectors that provide tourists with consumer goods and facilities.

Such sectors are called tourism industries because the consumption levels of tourism products constitute a very important share of their supply- and their development would cease to exist in meaningful volumes in the lack of tourist numbers.¹¹

Tourism industries

Tourism industries- also referred to as tourism activities- are the activities that typically produce tourism characteristic products; Tourism characteristic products are those that satisfy one or both of the following criteria:

- Tourism expenditure on the product (either goods or services) should represent a significant share of tourism expenditures (share-of-expenditure/demand condition); and
- Tourism expenditure on the product should represent a significant share of the supply of the product in the economy (share-of-supply condition). This criterion implies that supply of a tourism characteristic product would cease to exist in meaningful quantity in the absence of visitors.¹²

Figure 3.¹³: List of categories of tourism characteristic consumption products and activities

	Products	Activities
1.	Accommodation service for visitors.	Accommodation for visitors.
2.	Food and beverage serving services.	Food and beverage serving activities.
3.	Railway passenger transport services.	Railway passenger transport.
4.	Road passenger transport services.	Road passenger transport.
5.	Water passenger transport services.	Water passenger transport.
6.	Air passenger transport services.	Air passenger transport.
7.	Transport equipment rental services.	Transport equipment rental.
8.	Travel agencies and other reservation services.	Travel agencies and other reservation services activities.
9.	Cultural services.	Cultural activities.
10.	Sports and recreation services.	Sports and recreation activities.
11.	Country-specific tourism characteristic goods.	Retail trade of country-specific tourism characteristic goods.
12.	Country-specific tourism characteristic services.	Other country-specific tourism-characteristic activities.

¹³ Figure 3: List of categories of tourism characteristic consumption products and activities. UNTWO Publications. (2014). Measuring Employment in the Tourism Industries-Guide with Best Practices.

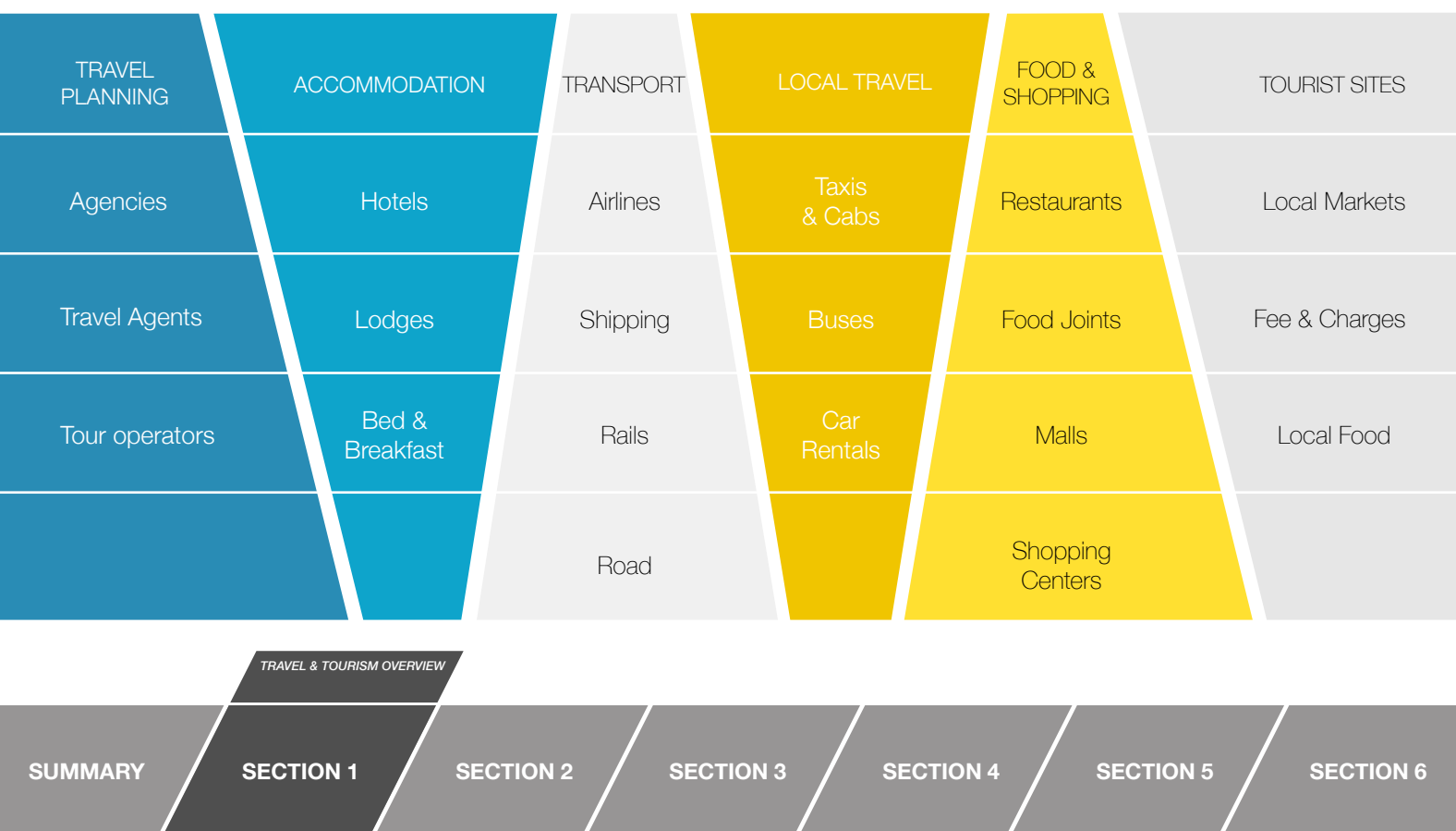
¹⁴ Importance of Tourism | Advantages of tourism | Economic importance & benefits of tourism industry. (n.d.)

¹⁵ Figure 4: Travel & Tourism Chain. Importance of Tourism | Advantages of tourism | Economic importance & benefits of tourism industry. (n.d.)

Key activities / Products and services of the tourism industry

The different divisions of the travel and tourism industry could be narrowed into six categories or the following segments; travel planning, transport, accommodation, local travel, food and shopping, tourist sites as depicted in the graph below.¹⁴ A further analysis can be found listed below in the main sectors of tourism and travel industry and everything that falls under their umbrella;

Figure 4.¹⁵: Travel & Tourism Chain



Sectors and sub-sectors within the Travel Industry

1. Transportation

A very important sector of this industry that centres around facilitating travel from one location to another. Road, rail, air and water transportation services are included under this sector as outlined below:

– Airline Industry



The airline industry provides various forms of air travel, including commercial and chartered flights. These flights can be overseas or domestic, and can cater for relatively short distances, right through to trips to the other side of the world. Different airlines tend to serve specific regions and airports.

– Car Rental



Car rental plays a key role in the travel industry, dealing with the short-term rental of vehicles to visitors, facilitating their private transport.

– Water Transport



Water transport refers to any transport that moves people across water, including rivers, lakes, canals and oceans.

– Coach or Bus Services



In many cases, visitors opt to use coach/bus services to travel to their chosen location and this is often more cost-effective means to travel. There are also coach day trips, while local bus services provide a means for getting around once travellers have arrived at their destination.

– Railway



Railways are one of the main ways that people travel domestically, while many rail services also facilitate long-distance international travel, too. Moreover, underground or subway-style train services tend to provide a convenient way for travellers to get around large cities once they have arrived.

2. Accommodation

Another fundamental sector within the travel industry is the accommodation sector. A vast selection of choices and types of places for visitors to stay overnight range from budget to luxury; some are outlined below:

– Hotels



The hotel and travel industry are closely linked, with hotels being the most popular form of accommodation for those traveling to a different location and staying overnight. Hotels are establishments that provide access to beds within private rooms. These rooms usually have en-suite bathrooms and offer additional facilities and services.

– Shared Accommodation



Shared accommodation has emerged as an increasingly popular option for travellers, thanks to the global success of companies like Airbnb. Through these platforms, guests can find homestay offerings. This may mean having access to a private room in an occupied house, or may mean having the whole house to rent out on a short-term basis.

– Hostels



A form of sociable accommodation, hostels provide dorm rooms with multiple beds, and guests effectively pay for a bed, rather than a private room. There are a wide range of hostel types, with either mixed or same-sex dormitories, and guests will typically share kitchen, bathroom, and living spaces.

– Camping



Considered a form of outdoor accommodation, camping involves staying overnight in a basic shelter, such as a tent. These are organized camping places that also offer certain amenities.

– Bed & Breakfast



A bed and breakfast is similar to a hotel, in the sense that guests are provided with a private room for overnight stays. However, B&Bs tend to be converted family homes, often with the owners still living there. As the name suggests, breakfast is provided, while a B&B will usually have a fairly small number of rooms.

– Cruises



Aside from being classed as a form of transportation, cruises are also a type of accommodation themselves. After all, guests on cruises will spend the majority of their time on the cruise ship and will usually be allocated a cabin aboard the ship, where they can relax and sleep.

– Farmhouse Accommodation and Agri-tourism



Agri-tourism is a niche industry, which is becoming increasingly popular, with people wishing to get away from their usual environment, spend time on a farm, see the day-to-day activities and perhaps even take part themselves. Farmhouse accommodation facilitates this and often resembles a bed and breakfast set up.

– Time-Share Accommodation



Time-share accommodation refers to a property, such as a condo or a holiday home, which is shared between multiple and different owners. Ownership rights are split evenly and usage rights are allocated to each of the owners for a specific period of time, meaning every owner gets their own time period in which to use the property.

3. Food and Beverage

The food and beverage sector primarily caters to the basic needs of travellers, through the provision of food and drinks services. However, it is essential to understand that businesses and services in this category go beyond this primary purpose. Indeed, a huge part of the food and beverage sector is also based on providing travellers with places to relax, enjoy themselves and/or socialize with other people.

– Restaurants



For most people, restaurants are the most immediately obvious category within the food and beverage sector. Restaurants exist to allow people to enjoy meals that are prepared for them. There are a wide range of restaurant types, from fast food chains, through to luxury or family restaurants, all catering for different needs and tastes.

– Catering



Catering tends to refer to the provision of food and drinks in locations that are more remote or self-contained, with examples of this including entertainment venues, tourist attractions and parks. In addition, catering services are provided on many forms of transport, including aeroplanes, trains and ferries.

– Nightclubs



A nightclub is an entertainment venue which operates until late at night and places emphasis on both music and alcohol consumption. Common features include a bar, a stage for live performances, and a dance floor. Nightclubs may put on a variety of different themed club nights, or may cater for specific music genres.

– Bars & Cafés



For travellers, bars and cafés provide a means to enjoy food and drink on a more casual basis than with restaurants and nightclubs. Cafés tend to focus on hot drinks and light snacks, while bars will generally focus on alcoholic beverages and soft drinks. These premises also offer a way for travellers to socialize.

4. Entertainment

The entertainment sector plays an interesting and complex role in the travel industry. After all, entertainment sites can sometimes be the single biggest factor attracting travellers to a particular part of the world. On the other hand, businesses in this category can also play a smaller, more supplementary role, helping to keep travellers entertained during their trip, even if entertainment was not the intended purpose of their trip.

– Casino



Casinos are establishments that provide gambling activities, with examples including card games, dice games, and a variety of other luck or skill-based games. In many cases, casinos also offer additional entertainment and they are sometimes connected to hotels or resorts, especially in locations like Las Vegas and Monte Carlo.

– Tourist Information



Tourist information services provide travellers with information about tourist sites and activities they can engage in. There are both offline and online services, with examples of offline tourist information including tourist information offices and tourism literature, while online sources consist of informational websites.

– Shopping



Shopping is another crucial part of the travel industry, catering to both basic needs and travellers' desires for luxury items or consumer products. Within this category we find supermarkets, shopping centres, and local markets while duty free goods are sold at the airports and in certain other locations.

– Tourist Guides & Tours



Through the provision of organized tours, tourist guides are able to assist travellers with sightseeing and other tour-related activities. Aside from handling the logistical aspect of actually planning routes, tourist guides are also able to educate travellers by providing them with important information, insights and facts.

¹⁶ CTHRC. (n.d.). Sectors in Tourism.

¹⁷ Figure 5: Types and forms of Tourism. Nainsnl. (2019, January 30). Tourism.

5. The MICE sector / Business tourism sector:

The Meetings Incentives Conference Exhibitions is a wide industry in itself that draws various visitors from across the globe. People travel to attend business, professional and other type of events. There are so many different types of events happening all over the world in different cities every day. This sector boosts the whole tourism industry and is also one its most important segments.

Business tourism is another sector that involves business travellers that are on the road for various business-related purposes. This, though, is rather different from the MICE or events sector. In this case, business travel is not about event participation. Businessmen and various professionals travelling for all kinds of official work form part of this tourism and travel segment.

6. Connected Industries

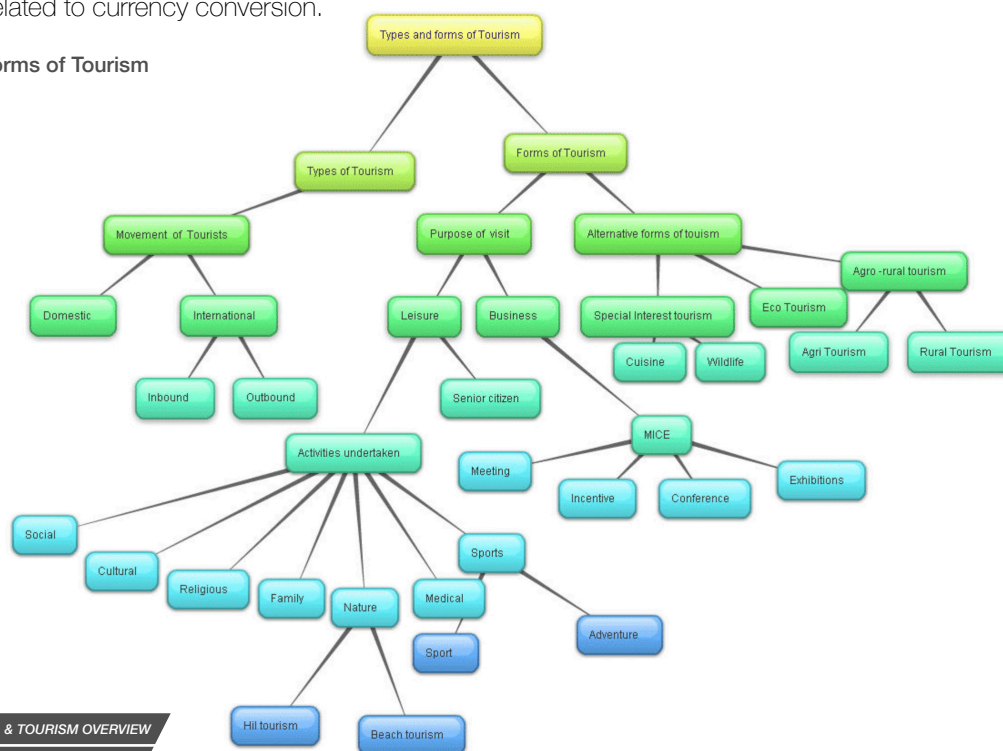
Finally, there are a range of industries or sub-sectors which are broadly linked to the travel industry. These related industries may offer products or services to travellers before they actually depart on their travels, or may operate to try to promote or improve the travel industry itself. They include both online and offline services, with some of the most significant related industries outlined in more detail below:

–Financial Services



There are a number of financial service providers that fall within the travel industry umbrella. Perhaps the most obvious examples that would come under this definition are travel insurance, trip protection insurance, and travel medical plans, along with services related to currency conversion.

Figure 5¹⁷: Types and forms of Tourism



–Travel Agents



Put simply, travel agents are retailers that provide travel and tourism products, and serve as intermediaries for travellers and suppliers. They may, for example, offer flights, hotel stays, airport transfers, travel insurance and tourism activities, often as a package. Travel agents usually receive a commission and may also offer advice.

–Tour Operators



A tour operator will typically provide travellers with package holiday products, which combine travel and tour components. This might mean providing: travel to a destination, overnight accommodation, hotel transfers and the services of a tour rep. It may also include a pre-planned itinerary, or a variety of organized activities.

–Online Travel Agencies (OTAs)



Online travel agencies, or OTAs, provide similar services to traditional travel agents through a website app and reach interested parties with travel products all over the world.

–Tourism Organizations



Tourism organizations are organizations that are actively involved in promoting the tourism industry and its interests, ranging from tourist boards to informational services.

–Educational



Educational is one of the fastest-growing components of the travel industry. An increasing number of people travel to business conferences, exhibitions, training sessions or academic institutions, and businesses provide these services and cater to travellers' needs along the way.¹⁶

¹⁸ Tourism industry - tourism industry definition, tourism industry value chain, industries of tourism sector, travel industry | Market Width. (n.d.)

¹⁹ Tourism Supply Chains. (2012, June 20).

²⁰ Figure 6: Generic Tourism Supply Chain / Tourism Supply Chains. (2012, June 20)

Supply chain of the tourism product

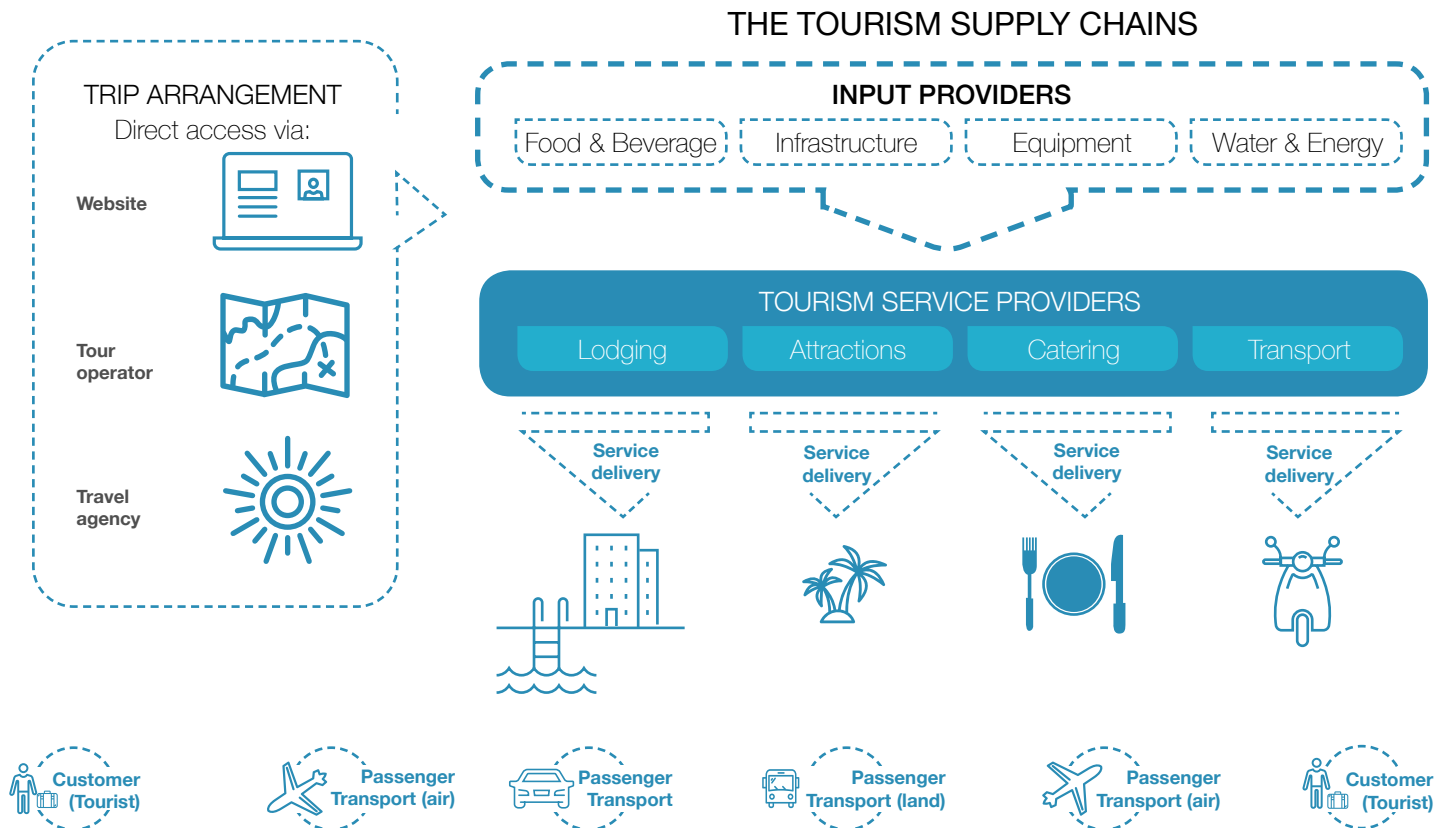
The travel and tourism industry, therefore, can be defined as the set of industries that facilitate all types of tourism by providing infrastructure, products and services.¹⁸

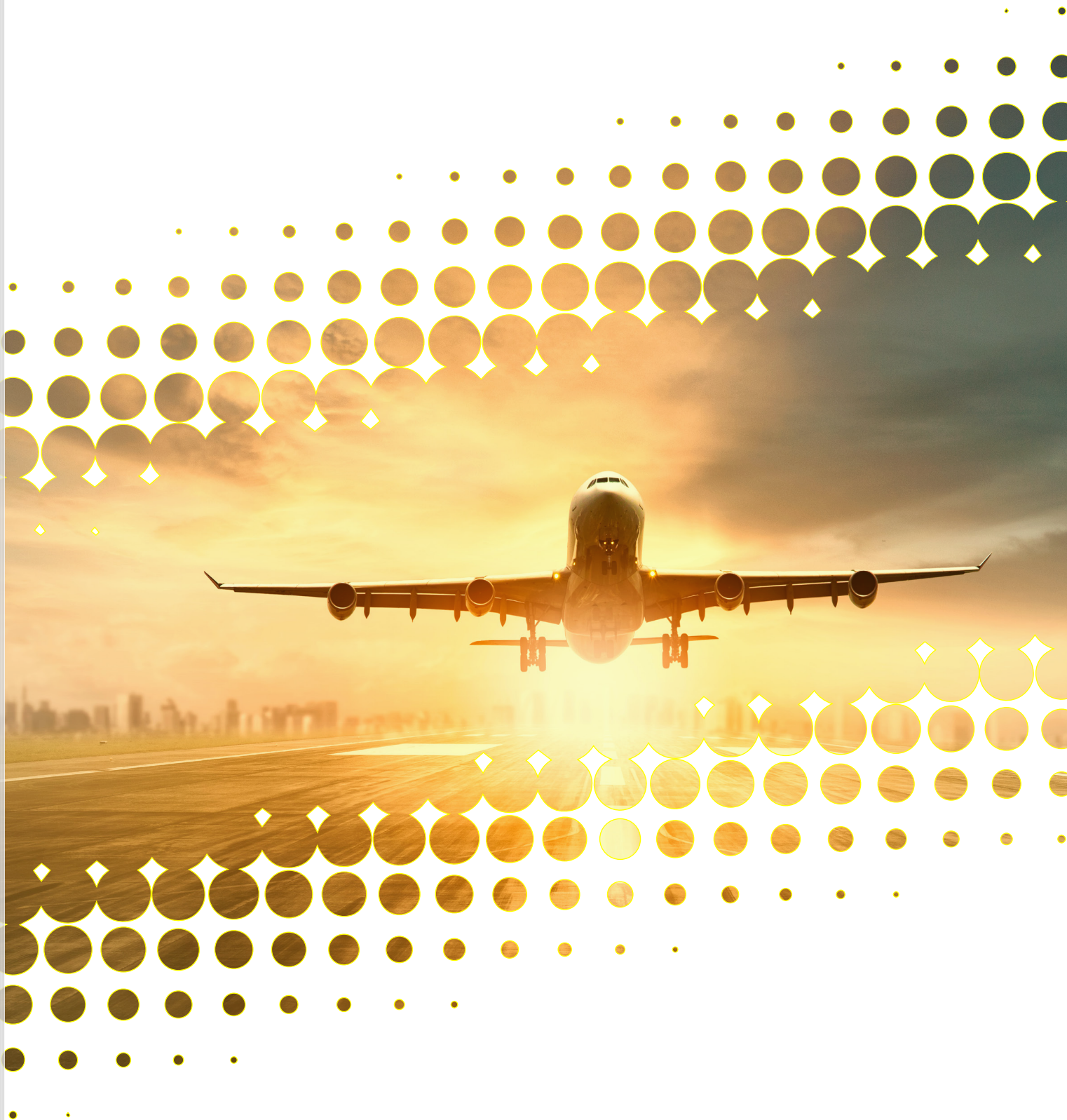
There are two ways to look at the definition of tourism industry, demand side and supply side.

By the definition of tourism, it is an activity of tourists or people travelling for some purpose and it includes all the things they do during their travel. In this way, tourism as an industry becomes the sum of all the products and services consumed or used by tourists which directly and indirectly support their tourism schedules. Travel bookings, transportation, hotel stay, food, destination visits, etc., all become part of the wider area of tourism.

The supply side is just looking at the other side of the notion. So, the supply side tourism industry definition is the sum of all the industries which provide all the products and services that directly and indirectly help tourists in their travel and make it possible for people to travel and spread the tourism activity farther, as demonstrated in the below graph.¹⁹

Figure 6.²⁰: Generic Tourism Supply Chain





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