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Title: Travel Agent Firm within the Tourism Industry

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ASSESSMENT 2: Group Assignment

Topic: Travel Agent Firm Within the Tourism Industry

Without exception, traveling is one of the greatest leisure of people. The ability of traveling anywhere by land, sea, or air is an experience to remember. As the years pass, the tourism industry has remodeled from individual travel agencies to self-booking websites, the growth of the industry has been easier to access than before. In this century, what can a travel agent offer to a demographic that can easily access the Internet and book his/her own trip? It's simple – Service. Harvey World Travel provides individual and group travel to leisure and corporate clients as a full travel agency servicing in all related travel goods and services, offering top of the line activities, accommodation, and entertainment.

As a travel corporation aiming to bring the customers all over the world using our expertise, Harvey World Travel offer services that can be individualized or intertwined to each other according to the consumers demand ranging from flights to various destinations including a list of comparison of prices between different airlines while recommending the best deals to the consumers, tour Packages of either a more relaxed option of incredible sight seeing to rugged and exciting adventure tours, breathtaking cruise vacations to Europe and Asia, hotel accommodation bookings, and offerings on Great vacation deals. As the tourism grows, it is an indicator that more people are interested in discovering new lands and Harvey World Travel Professionals serves as a top quality travel service provider. All suppliers and contacts that HWT deals with are top-notch professionals with accomplished backgrounds that meet our standard of professionalism. Within our professionalism capacity, we ensure getting the best value for the money and service will be provided to our consumers on their travel arrangements.

Harvey World Travel Professionals' vision is to provide the easiest access to the best travel deals that is specifically tailored to meet each individual's needs and wants without hassle.

In short term goal, we will provide more destinations and collaborate with more companies that will provide more services and tours for consumers. As well as, expand the franchise of Harvey World Travels to the Pacific and beyond. However, in our long term goal, our company will be the top provider of all over the world travel services by providing more travel destinations and vacation packages all responding to the demand of the consumers.

Tourism Industry is in oligopoly market where there are only few large firms dominated. In other word, the degree of the market concentration is very high because the large proportion of the market is taken up by the leading firms. Therefore, there are barriers to entry of new firms. Besides that, in the oligopoly market, there is an existence of interdependence between the firms. It means that each firm must consider the other firms' reaction, such as marking price and investment decision. This leads to uncertainty of market which economists use the game theory to examine the best strategy that how the firms adopt for each assumption about its rival's behavior. While single move game is used on the basis of what the rival will do, the multiple move game will respond on both doing and saying of the rivals. To this end, a firm's threats or promises must be credible and it effects the rivals' decision. The interdependence between the firms can lead to implicit and explicit collusion of the leading firms in this market, and conclusions happen when one of the leading firms behaves as if they were in monopoly position.

As a result, not only the price pattern but also the profits are set up with each game theory. For instant, the first pattern is that close collusion on price and/or output quotas; or its equivalent through tacit collusion or interdependence. Thus, the price should be approximately equal to monopoly price and output.

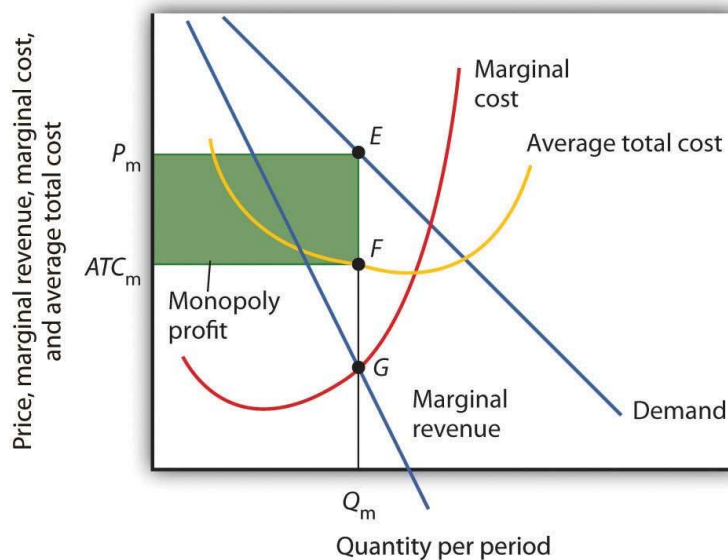


Figure 1.1: Profit Maximizing Under Monopoly

The second and third pattern is that the imperfect and the conventional kinked demand curve pattern, resulting from a certain pattern of sellers' conjectures about their rivals' reactions. So, price should be lower and outputs larger, though by an indeterminate amount. The fourth pattern is that "chaotic" competition or comparatively active price rivalry, potential emerge from unrecognized interdependence, unreliable conjectures by rivals; price should be to yield lower prices than any of the others.

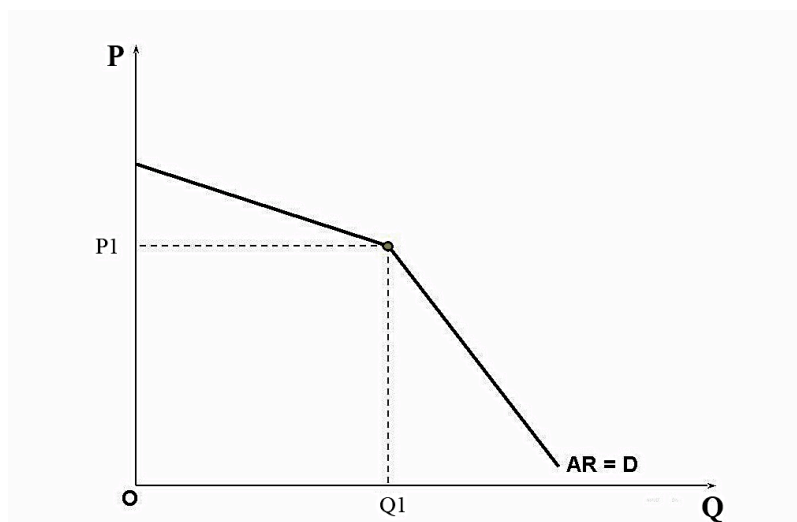


Figure 1.2: Kinked Demand Curve for a Firm Under Oligopoly

Taking all above analysis, Harvey World Travel determines the strategy of its development in the long term.

A person who has a will to travel or take a pleasure trip has to weigh the opportunity cost of taking a trip against the benefits of spending their money in alternate ways. It can be considered that Income and price are the two most powerful determinants for the demand of our products. The demand for tourism is positively related to consumer's income and negatively related to the tourism prices. Both the determinants are discussed below.

Income Factor:

Travelling involves cost and taking a holiday/vacation usually digs a deep hole into the pockets of the traveler. So, Income of the consumer has a very high impact over the demand for pleasure travel.

Other things being constant, higher income generally tends to demonstrate higher demand for travel. The nature of responsiveness of the demand to the changes in the income of the consumer can be measured by Income elasticity of demand and can be presented specifically by:

$$\text{Income elasticity of demand} = \frac{\% \text{ change in Quantity demanded}}{\% \text{ change in consumer Income}}$$

The income elasticity of demand is denoted by a number. If the income elasticity of demand for travel amounts to 2, then it implies that for every 1 % rise in the income of consumer, the demand for travel will rise by 2%. Demand can either be Income elastic (elasticity greater than 1) or income inelastic (elasticity less than 1 but not less than 0). Our product is Income elastic and is highly responsive to changes in consumer income. This can be concluded by the fact that small percentage change in Income, leads to larger percentage change in the demand.

Price Factor:

Other things being constant, the demand for travel will be higher at lower prices than at higher prices. Price elasticity of Demand can be used to measure the consumer responsiveness to the changes in price of travelling and can be presented in the following way:

$$\text{Price elasticity of demand} = \frac{\% \text{ change in Quantity demanded}}{\% \text{ change in price}}$$

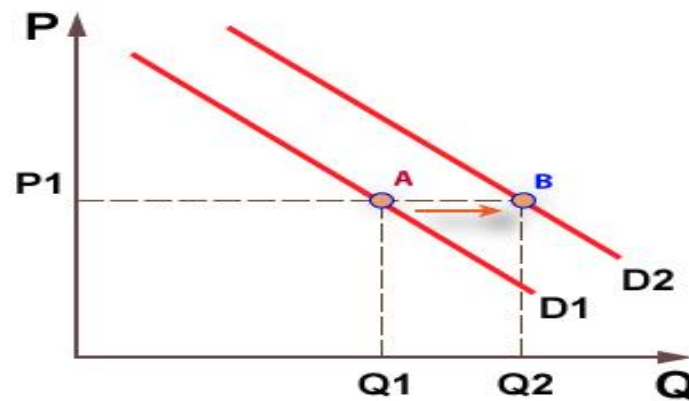


Figure 1.3: Income Elasticity of Demand

The price elasticity of demand is denoted by a number. So if the price elasticity of demand gives an output of 2, the implication drawn would be that an increase in price of travel by 1% will result into a decrease in demand by 2%. In our example, the consumers are highly responsive to the price change, reason being a small price change resulting into a relatively larger change in the demand for travel.

Moving on, we focus on the effects of government intervention and the rules and regulation, which influence the progress and future decisions taken for Harvey World. There are some significant reasons that are shown why the government has to intervene on the tourism in regular and on the Harvey World in specific:

- Tourism is an industry of growing economic importance,
- Tourism can bring about sustainable development and can be an instrument of regeneration,
- Tourism can build a more inclusive society,
- Tourism is a diverse industry that does not act strategically,
- Demand is seasonal and variable

The effects of the intervention from the government on Harvey World can be seen at the price of the tickets, the design of the tours, which mode of engine can be used to service the consumers such as, cruises, flights, trains or buses. The most significant

impact is on the decisions taken by Harvey World to achieve the short term goals and the long term goal in different dimensions.

As everyone knows that tourism can generate a lot of benefits and profits to an individual or an organization and that is the reason why they are trying to enter the industry every day. Therefore, Harvey World has to compete with many tourism agencies in terms of the price of the tickets, the variety of the flights, the price of the hotels, the tourist attraction spots. However, as people know that Harvey World is the big travel in Australia so its power in the market is significant. Hence, the government has to intervene to increase the competition in the market and control the oligopolistic and monopolistic market structures. As a result, Harvey World is bound to follow the government policies and cannot manipulate the price of the tickets. What is more, the intervention of the government can also effect on the delaying or cancelation of flights or the tour packages of Harvey World. The reasons for the cancelation of the flights or tour packages can be due to an unpredictable natural disaster, widespread of disease or terrorist attacks on the destinations. Even though the schedules for the fights or the tour packages are ready, they must be canceled. For example, the Harvey World is offering trips to go to Thailand but then Thailand is facing a phenomenon of a natural disaster, so the government will intervene and instruct our company to stop all packages offered to the customers for that destination. Therefore, before launching the tour packages or the flights to serve the customers, Harvey World has to plan about the emergency situation to handle if there is anything happened.

Furthermore, in terms of affecting the airline industry, there is another important factor in which the government plays a role and that is through environmental management. The consumer's awareness of environmental effect of airlines is highlighted through the media and websites, which allows people to calculate their pollution in tons of CO₂ on each flight they take. This consumer pressure has forced government to take a more active role in the environmental impact issue. In return, the government puts pressure on airlines to become more environmental friendly than before. Associated with becoming environmental friendly firms, it can lead to an increase of price. By increasing the price, it means that it will become less likely for other airlines to set up when the profit margins begin to fall. At the same time the costs to customers may go up, meaning that the substitutes may become more

appealing to air travel itself. Consequently, Harvey World has to decide which kind of flight it has to use. All things considered, with government intervention have an impact on each of the aspects and make an industry in regular and Harvey World in specific more or less attractive.

In conclusion, Tourism and travelling are luxuries rather than necessities. So the consumer demand is very sensitive and highly responsive to their income. However, tourism generates a lot of benefits to the society as well as the country as a whole like creating job opportunities, promoting cultures and increasing the total revenue of the country. We recommend that Government should promote tourism and limit the intervention on the travel agents in order to encourage or attract more tourists to the country.

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