



BUSINESS
EXCELLENCE

TOURISM EXCELLENCE

Pricing and Packaging Product

Fact Sheet – Hints and Tips

Prepared by **VECCI** for **Tourism Victoria**



TOURISM
EXCELLENCE





Key Point

FACT SHEET – HINTS AND TIPS

Influences on Pricing Decisions

Ultimately, your pricing decisions will be influenced by a combination of internal business factors and external environmental factors, including:

- Operating costs
 - Distribution channels and suppliers
 - Marketing objectives
 - Seasonality
 - Competition product/s and pricing structures
 - Demand – generated by existing and potential customers
 - Economic conditions
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Basic Sale Price

- A base net rate is what you must receive from the sale of a product.
- Base net rate is generally calculated by considering your operating costs and adding a profit margin to the price
- You must be aware of your total operating costs, including both fixed and variable costs to accurately price your product/s for maximum profitability.

$$\text{Net Rate} = \text{Operating Costs} + \text{Profit Margin}$$

Operating Costs

Examples may include:

- Labour costs (you; your staff)
 - Cleaning, maintenance and repairs
 - Stock (e.g. stationery, linen, food, petrol, machinery, uniforms)
 - Bank/accounting fees
 - Insurances
 - Marketing (including research, advertising, promotion activities, brochures, trade events and travel costs)
 - Commission rates
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FACT SHEET – HINTS AND TIPS (continued)



Key Point

Source: Tourism Australia, 'Planning for Inbound Success', Vol 2, 2008

Commission Rates

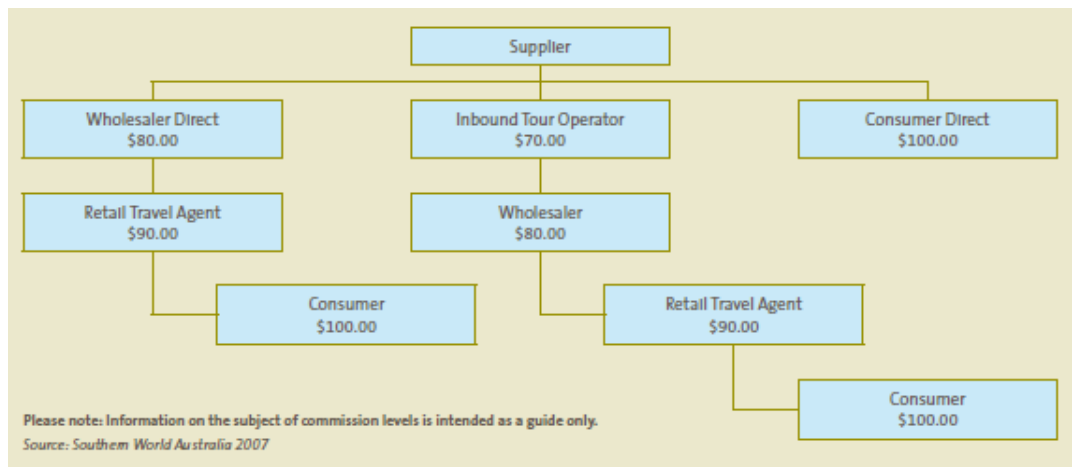
SALES METHOD	LEVEL OF COMMISSION	EXPLANATION
Inbound operator	30%	A nett price providing a 30% margin is agreed with the inbound tour operator on behalf of the overseas client, wholesaler or travel agent.
Tour wholesaler	20 %	A wholesaler will receive 20 % commission to cover the costs involved in selling your product.
Retail travel agent	10%	A travel agent retains a standard 10% commission once the booking is confirmed.
Direct with consumer	Nil	If the client buys the product directly from you, it is relatively easy to set the price. However, the gross rate should be the same as that provided to ITOs, wholesalers and retail agents.

Please note: Information on the subject of commission levels is intended as a guide only.

$$\text{Gross Rate} = \text{Net Rate} + \text{Commission}$$

$$\text{Net Rate} = \text{Gross Rate} - \text{Agent's Commission}$$

Sample Business Mix



Calculating Commissions

BOOKING CHANNEL	COMMISSION RATE	PERCENTAGE OF BUSINESS	GROSS RATE	NETT RATE	NETT REVENUE	COMMISSION PAID
Direct	–	40	\$100	\$100	\$4,000	–
Retail	10%	30	\$100	\$90	\$2,700	\$300
Wholesale	20%	20	\$100	\$80	\$1,600	\$400
Inbound	30%	10	\$100	\$70	\$700	\$300
Total					\$9,000	\$1,000

Please note: Information on the subject of commission levels is intended as a guide only.

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FACT SHEET – HINTS AND TIPS (continued)



Key Point

*Sources: Tourism
Australia,
'Australian
Experiences
Industry Toolkit:
Boosting Your
Bottom Line, Vol
2*

Tips for Enticing the Experience Seeker:

1. Maximise your location. Think about the experiences you have in your backyard and promote them in your brochures and marketing materials. E.g. spectacular views and scenery, historic buildings, heritage trails, World Heritage listed areas, bushwalks, regional produce markets, wineries, restaurants...
2. Think of your 'competitors' as your allies. Provide your customers with tips on other attractions and things to do in your local area. E.g. if you're an accommodation provider, give your customers details about local tours, attractions, cafes and restaurants, wineries, Aboriginal art galleries, walks etc in your local areas.
3. Keep your product offering fresh and always highlight new aspects and unique experiences in your promotional materials.
4. Provide visitors with the opportunity to become involved in various aspects of your business or advise them of activities that are available near you. E.g. For a farm stay, you could offer customers the opportunity to shear a sheep or muster cattle; for a winery, you could give customers a chance to mix their own blends; a bed and breakfast owner could offer customers the chance to learn how to make home-made food from local produce such as jams and breads.
5. Remember, the key is to offer immersive, interactive, active and adventurous experiences.
6. Provide an opportunity for your customers to meet and engage with the locals.
7. Create a 'braggability' factor to generate word-of-mouth business.
8. Provide customers with easy access to activities that will allow them to engage with the people and immerse themselves in the lifestyle and the environment.
9. Highlight the unique selling point of your product. Perhaps there's something so unique about your product that it cannot be experienced anywhere else in the world. If so, promote it!
10. Make sure the language you use in your promotional materials such as brochures, websites and media materials reflect and sell the overall experiences, not just a product.

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FACT SHEET – HINTS AND TIPS (continued)



Hot Tip

Pricing Tips

- Consider all costs and include in pricing
- Differentiate between fixed costs (eg rent) and variable costs (eg promotions). Variable costs, including the actual cost of a product, will change as product demand changes
- Improve ease of payment for customers by providing credit card facilities/Internet payment facilities
- Consider expanding the distribution channels available to sell a product, using travel agents, wholesalers and inbound operators
- Ensure commission rates for all intermediaries are factored into retail price

Packaging Tips

- Create a package with components that can be readily mixed and matched to appeal to your different identified markets
- Plan well in advance allowing adequate promotion and booking time
- Expect gradual financial returns
- Consider theme-based itineraries that enable you to layer experiences, sequence events and select the right suppliers
- Allow free time in the itinerary for self-directed discovery and optimize the element of surprise
- Use cues and memorabilia to build a connection and engage the emotions of your travelers

Package Readiness Checklist

✓	Actions Required	✓	Actions Required
	Target markets have been selected		A sales forecast is established
	Itineraries have been prepared, from experience beginning to end		Analysis of competitor's products and price points has been done
	Costs are itemized and detailed for every component of the package		You have developed your USP (Unique Selling Proposition)
	All supplier costs and contracts are confirmed in writing		Distribution channels are selected (if required)
	A client registration and payment process has been prepared		A budget for the development and delivery of this package is complete.
	The selling price has been calculated and analyzed for the markets that have been selected		A marketing action plan has been created identifying timelines, a promotions calendar, and budget
	You have discussed expectations, quality, and logistics with all partners		Does the presentation of this package reflect quality and professionalism?
	Does the presentation reflect "who you are", as a business?		You can deliver what you promise!

*Adapted from:
CTC Product
Clubs National
workshop, Nov
28-30, 2003,
'Understanding
the Product
Development
Process in
Tourism',
Canadian
Tourism
Commission*