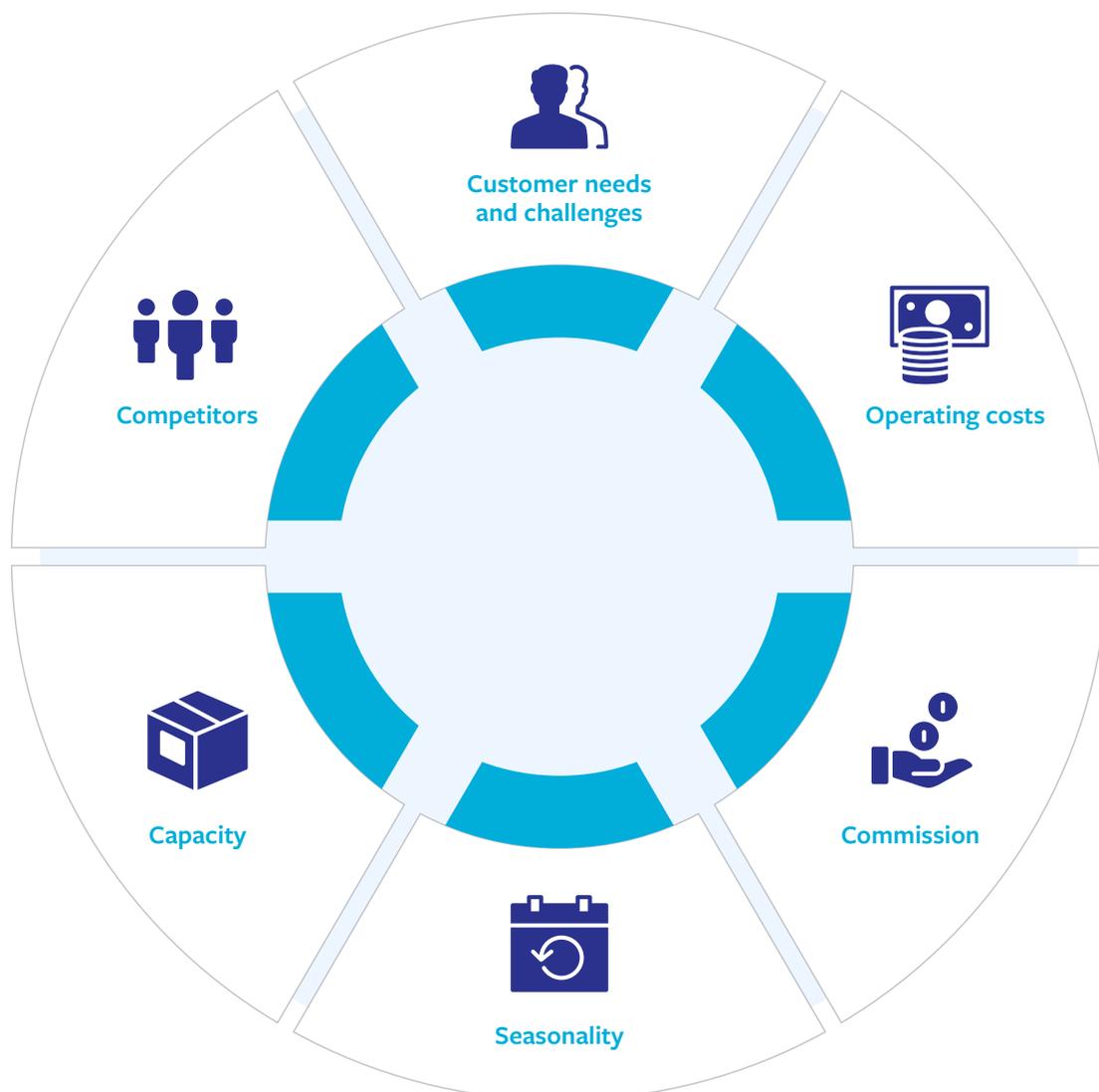


Pricing your experience

A key success factor for running a sustainable and thriving tourism business is being able to correctly price your experiences in the marketplace. This can allow you to:

- Make a profit
- Provide value to your customers whilst remaining competitive
- Promote and sell your experiences via tourism distribution partners

The price of your experience is also known as your “rates”. Below are some important factors to take into consideration when setting or reviewing your rates.



Pricing your experience

Operating costs

These are the fixed and variable costs of delivering your experience to your customers.



Fixed costs

The costs of running your business, regardless of the number of customers. This includes expenses such as insurance, rent, interest, plant and equipment.



Variable cost

Costs that fluctuate based on the number of customers or sales in the business. This includes expenses such as wages, marketing, commissions, utilities (including gas/water/electricity), cleaning, maintenance, repairs, materials, and stock used for delivery of your experiences.

Documenting your variable and fixed costs can help you towards setting a suitable rate for your experience. Consider how many bookings you would need to achieve to cover your costs (break-even); and then use this as a guide to determine the point where your business can become profitable.

Learn more: business.gov.au/products-and-services/develop-a-pricing-strategy

Commission

If you are planning to work with tourism distribution partners to help sell your experience, it is important to factor in the ability to pay commissions into your rates. Tourism distribution partners are businesses that can sell your experience on your behalf and help you to reach customers you may otherwise not be able to reach.

Commission is a variable cost of working with tourism distribution partners should you choose to do so. It is the cost of reaching more potential customers through your distribution partner's well-established marketing and sales channels. As such, offering commissions can be considered a type of marketing cost for your business. Remember, you only pay commission once the distribution partner has sold your product or service.

Learn more: [Working with distribution partners](#) guide.

Commission rates can vary depending on which partners you choose to work with. You may pay between 10% to 30% commission.

Distribution Partner	Average Commission (guide only)
Online Travel Agent	15 - 25%
Visitor Centre	10 - 20%
Commercial Tour Operator	20%
Retail Travel Agent	10 - 15%
Domestic Wholesaler	20%
Inbound Tour Operator	25 - 30%

Pricing your experience

It is useful to look at your commission in the context of all of your bookings over a 12-month period. You can do this by forecasting where your bookings are likely to be coming from and then calculating the 'average commission' you will need to pay.

Below is an example of an average commission calculation.

Booking Source	Commission (A)	Sales Proportion (B)	Average = (A x B)
Direct Booking	0%	60%	0%
Visitor Centre	12.5%	10%	1.25%
Online Travel Agent	15%	20%	3%
Domestic Wholesaler	20%	5%	1%
Inbound Tour Operator	30%	5%	1.5%
		Average Commission	6.75%

For the business in this example, their average commission is 6.75%. While 25 - 30% commission can seem a lot for some bookings, when viewed as an 'average commission' in the context of all booking channels you may find that working with distribution partners can be a cost-effective way of reaching new customers.

Other considerations

Customer needs and challenges

Your Ideal Customer(s) are willing to pay for an experience if it meets their needs. Pricing your experiences too low can be a marketing and reputation risk, as you will more likely attract more price sensitive customers whose expectations may not be met.

Learn more: [Online listings and customer reviews](#) guide.

Competitors

Whilst you need to be aware of your competitor's pricing, it is important to also be aware that they may have a different offering and different Ideal Customer(s) to you. Your pricing should be based on the experience you offer.

Remember, your business has its own unique Ideal Customer(s) and when you clearly communicate how your experiences meets their needs and challenges, the price will become less important to them than the experience you are delivering.

Capacity

Another key consideration is the number of units you have to sell (e.g. seats/tours/beds/tables). Determine how many guests you can cater to whilst still delivering the value and quality experience your Ideal Customer(s) expect. Collect feedback from staff and customers, as well as visitation statistics to your destination to help determine your average capacity/occupancy rate when calculating your profit margin.

Seasonality

You may like to consider setting higher prices at peak times of the year, such as school holidays or major events, to capitalise on increased visitor demand. It is recommended that you balance seasonal pricing with the needs of your Ideal Customer(s), while also supporting relationships with wholesale and inbound distribution partners by maintaining your commission levels.

Additional pricing strategies

Value-adding

Value-adding is where you add extra features to your standard product offerings to enhance the perceived value for your Ideal Customer(s). Value-adding can create a competitive edge for your business and can also be offered to trade partners to help differentiate your experience.

Depending on your business type, potential value adds could include:



Personalised encounters
(e.g. behind the scenes/private tours/hands on experiences/animal encounters)



Meal upgrades/meal vouchers



Room upgrades



Bottle of wine/drinks voucher



Transfers (if not already included)



Event entry fee (tickets to a nearby attraction you access for a discount)

Premium pricing

This strategy involves offering an experience at a higher price point to that of your standard offering, but delivering it at a similar operating cost, therefore yielding a greater profit margin.

Premium experience ideas you might consider (depending on your business type):

- **Access to you or a specialist staff member.** If you are the owner of your tourism business or have staff with a specialist skill, a one-on-one personalised experience is a special privilege that people are happy to pay for.
 - Example: Private winery tour with the owner, sourdough bread class with the head baker, private tour with the curator of the art gallery.
- **Exclusivity.** Providing customers with exclusive experiences separate to the public makes them feel special.
 - Example: Private wildlife encounters, behind the scenes experiences, masterclass tours, unique dining experiences with food producers or chefs, wine club memberships that include an exclusive event invitation.

- **Time saver/done for you.** Offering a product that saves your customers time is something many are happy to pay for. Understanding their challenges and pain points is key to developing these experiences.
 - Example: Meal preparation, stocked fridge, jump the queue passes.



Top Tip

Sell the benefits, not the features.

Once you have decided on your premium experience, it is important to market the benefits that your Ideal Customer(s) will receive (as it relates to their travel motivations and challenges) in order to sell the experience. It may be challenging to create demand if you only communicate the inclusions or features of your premium experience.