



**Digital
that
Delivers.**

Commercialise Your Bookable Experience with the Right Price

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Introduction

This section examines the important issue of pricing. What factors do you need to consider for your pricing strategy, the differences between commissions and net rates, rate parity, B2B and B2C rates and how to establish a rate model with third party online channels.



*Pre Covid-19 image.

There are separate items on trade commissions and margins, and on the relevant terms and conditions for your website, for your dealings with OTAs and for your dealings with referral partners.

Factors to consider for your pricing strategy

A visitor experience should only be brought to market when it is ready for a customer to purchase, with a well-positioned price point that reflects the true value of the offering.



When building a pricing strategy, consider the following:

- ✓ Who are your target customer segments?
 - What visitor experiences are they interested in purchasing? At what price points?
- ✓ Where are your target customer segments purchasing i.e., via which sales channels?
 - E.g., your own website or via an intermediary such as an online travel agent (OTA)?
- ✓ What different price points do you need to set to win sales?
 - E.g., retail, breakeven, commissionable and discounted wholesale pricing.
- ✓ What is your breakeven point?
 - Do you understand how many bookings you need to cover your costs?
- ✓ How can you create a pricing strategy that:
 - Satisfies the requirements of diverse online sales channels?
 - Minimises administration for you?
 - Ensures you can thrive and be profitable?

Let's begin by thinking about customer segments

Not all customers are the same. In fact, people differ in multiple ways including:

- ✓ **Demographics:** age, gender, marital status, income, education, ethnicity, disability, health, and employment.
- ✓ **Psychographics:** personality, lifestyle, interests, opinions, beliefs, and values.
- ✓ **Geographics:** where people come from and/or where they live and how this can influence their choices (e.g., for Ireland, Northern European markets show a clear interest in outdoor adventure activities).
- ✓ **Behaviours:** ranging from loyalty (i.e., customers who like to repeat book), to special occasion purchases (e.g., a birthday or anniversary) and customers who are interested in convenience (e.g., skip the line tickets booked via a mobile app), or those who heavily research experiences before engagement (beginning with a careful study of your website).

Segmentation is the process of grouping customers according to shared characteristics to reach a clear understanding of who they are and whether (or not) you can win business from them.

Once you have a clear understanding of the kind of customers that you are targeting, you're in a stronger position to offer the precise product at the associated price point, that is likely to win their bookings.



Example: An historic woodland estate with award-winning horticultural displays offers a standard ticket price for €10 per person for a self-guided tour.

The same estate could maximise revenue via an expanded offering that targets special interest and luxury customers at higher price points.

For example:

- ✓ **An intimate guided tour with the Resident Head Gardener:** targeted at horticultural enthusiasts willing to pay a premium for a high-quality experience and insights.
- ✓ **Nature Meets Art Tour:** a high-end experience, targeting art and culture enthusiasts.
- ✓ **Create Your Own Story:** a one-of-a-kind opportunity to propagate a plant/flower with the Master Gardener that will bear your name and become part of the estate collection. Targeted at luxury customers or for special occasions for people who value high-end experiences.

During low demand periods, they could incentivise budget-conscious customers with attractive prices and/or offers, such as:

- ✓ 10–20% discount off self-guided tours for online pre-bookings 9–11am daily.
- ✓ Free breakfast for self-guided tours for online pre-bookings 9–11am daily.

When creating a pricing strategy, begin by clearly identifying target customer segments. Ultimately, different customer segments have different perceptions of VALUE based on their behaviours, interests, needs and budgets. To maximise online booking opportunities, visitor experiences and associated price points must be carefully planned.



How customers book experiences online



Customers book experiences via diverse online sales channels that enable them to pre-purchase based on real time availability, such as:

- ✓ **B2C direct sales channels:** a booking is made by the customer directly with the experience provider at the full retail price (e.g., via your website).
- ✓ **B2B indirect sales channels:** the customer makes a booking via a professional travel buyer that a) acts as an intermediary and b) generally receives a fee (e.g., commission) or a special price (e.g., a discounted wholesale rate that is lower than the retail price) for their services. Examples include:
 - online travel agents.
 - online tour operators.
 - online travel wholesalers.
 - online resellers.
 - online aggregators (whereby availability and prices for experience offers are collated in one place so that the lowest price point is clear).
- ✓ **Online referral partners:** the experience provider receives bookings via partnerships with local, national, or global organisations (e.g., via a local accommodation provider that recommends experiences to their guests or local visitor information office).

Depending on the partnership:

- ✓ A fee (e.g., commission) or a special price (e.g., a discounted rate) may, or may not apply.
- ✓ The referral partner may decide to:
 - book the experience on behalf of their guest/customer via the experience provider's website OR
 - request that the guest/customer books directly via the experience provider's website, often via a unique code for special preferential rates.

Examples of OTAs and their reach:

- ✓ **Viator** (owned by **TripAdvisor**). Global, predominantly English speaking countries.
- ✓ **Get Your Guide**: Global, strong presence in Europe.
- ✓ **Klook**: Global, strong presence in Asia Pacific (APAC).
- ✓ **Civitatis**: Global, predominantly Spanish speaking audience.
- ✓ **TUI Musement**: Global.
- ✓ **Expedia**: Global
- ✓ **Headout**: Global.
- ✓ **Ceetiz**: Global, predominantly French speaking audience.

Examples of other online sales channels:

- ✓ Online tour operators: **G-Adventures**; **LogiTravel**; **EF Tours** and **Tour Radar**.
- ✓ Online travel wholesalers: **Hotelbeds** and **Tour Partner Group**.
- ✓ Online resellers: **Outdoyo** – specialising in outdoor adventures and **Shorebee** (used by cruise passengers to plan their own shore excursions).
- ✓ Online aggregators: **Travelocity** (whereby availability and prices for experiences are collated in one place so that the lowest price point is clear).

Pricing for online booking

There are three main types of price and it's important to understand each one.

- ✓ **Retail price:** the full experience price that is visible to your customer via your own website. Also known as the public or rack price, it's the maximum price point payable for the experience.
- ✓ **Commissionable price:** a percentage of the retail price is paid to an intermediary such as a professional travel buyer who receives 10% commission (€5) each time their customers purchase an experience that retails at €50.
- ✓ **Net price (also known as a discounted or wholesale price):** the intermediary receives an agreed reduction off the retail price.



Example:

An experience that retails at €50 is offered at €45 to a professional travel buyer who adds a mark-up before bringing the experience for sale to their customers. NOTE: as a rule, this markup does not exceed the retail price.

What purpose do commissionable and net pricing serve?

Commissionable and net pricing ensure that intermediaries are remunerated for the service they provide by promoting and selling experiences to their customers who (in many cases) cannot be easily reached by the experience provider.

The decision on which largely relates to how the intermediary sells on to their customers.

- ✓ **Commissionable pricing:** generally requested for itemized pricing: i.e., when the customer visits the intermediary's website, the full retail price for the experience is displayed.
- ✓ **Discounted pricing:** generally requested when the intermediary creates a package for customers, i.e., adding multiple elements together (accommodation, meals etc.) in addition to the experience price.



This table summarises the pricing required for engaging with online sales channels:

Sales channel	Required price	Direct/indirect	How does the customer book the experience?
Business own brand website	Retail price	B2C direct sales channel	Via the experience provider's own brand website at the full retail price
Travel agents, resellers and aggregators	Commissionable price commonly requested	B2B indirect sales channel	Via the professional travel buyer's own brand platform that displays the experience provider's services and availability.
	Net price occasionally requested		
Tour operator and wholesaler	Net price commonly requested	B2B indirect sales channel	Via the professional travel buyer's own brand platform that displays the experience provider's services and availability.
	Commissionable price can also be requested		
Online referral bookings	Retail price purchased on a zero-fee basis	Indirect sales channel	The referral partner makes the booking on behalf of their guest/customer via the experience provider's website. OR The partner refers their guest/customer to the experience provider's website to make the booking.
	Commissionable price commonly requested		
	Discounted price can also be requested		
	<p>Note: depending on the referral partnership</p> <ul style="list-style-type: none"> ✓ no fee may be requested, in which case the full retail price is purchased ✓ if a fee-based commissionable or discounted price is required, please refer to this guidance for insights. 		

Other considerations

To accommodate commissionable and/or net pricing, you must understand the breakeven price point and the retail price point:

Breakeven price point:

Breakeven price point incorporates all fixed and variable costs associated with delivering the experience.

- ✓ If the experience sells at the breakeven price point, the costs of operation are covered but zero profit is made.
- ✓ If the experience sells lower than the breakeven price point, the costs of operation are not covered, and a loss is made.

Visitor experiences should never be sold below their breakeven point. If in doubt, seek advice from your accountant.



Retail price point:

Following calculation of the breakeven price point, the retail price point must be decided. This requires careful consideration because:

- ✓ if it's too high, some customer segments will be unlikely to purchase due to price resistance.
- ✓ if it's too low, volume of sales may be higher, but profit potential may be reduced.



Calculating the retail price point:

When setting the retail price point, some experience providers simply add a percentage to the breakeven price point. For example, if the breakeven price point is €50, a percentage of (e.g.,) 50%-100% is added, leading to a retail price point of €75-€100.

Another approach is *benchmarking* against the market context, whereby a business researches their competition and decides to align, lower or increase their own pricing by comparison. While benchmarking can be useful to gauge market pricing, the experience provider must ultimately consider additional factors when setting the retail price, including:

- ✓ **Competitive advantage:** defining what gives your experience the edge, e.g.,
 - Is it your skill, knowledge, and talent? Are you a celebrated and recognized expert?
 - Do you offer rare, one-of-a-kind experiences unavailable anywhere else? E.g., access to a precious private archive or gallery with an estate owner.
 - Do you have specialist equipment that's not provided by others?

- ✓ **Inclusions:**
 - Do you provide inclusions that significantly add to the value of the experience? E.g., artisan picnic boxes, bespoke gifts etc.
 - Are there aspects of your costs that a customer would appreciate and should know about? For example, specialist comprehensive insurances for adventure activities.
- ✓ **Clarity of worth:** when setting retail price points, it is very important to be clear about how that price will be perceived in the marketplace.

The customer must see a **CLEAR correlation in terms of VALUE** between the experience offered and the price at which it is charged.

For example, while a customer will expect to pay a nominal price to watch a glass maker at work for thirty minutes, the same customer will expect to pay a significantly higher price (perhaps several hundred euros) to make a one-of-a-kind, bespoke glass creation under the guidance of a renowned master glass blower over several hours.

Links to additional resources on pricing

- ✓ Check out the video on Pricing from a customer's perspective. It's a fascinating look as how the value of an experience changes for each customer every time they book. For example, an experience may be more valuable to a customer if it is part of an anniversary celebration, compared to a casual visit with friends. Therefore, the customer may be willing to pay more or less for it depending on personal context.
- ✓ To price for indirect sales click here
- ✓ To determine T&Cs for the professional travel buyer click here
- ✓ To determine T&Cs for your own website click here
- ✓ To determine T&Cs when working with referral partners click here