



## The English National Park Experience Collection

# PRICING

## How to set your prices

**Working out your pricing can seem like a very difficult task but by following a few simple rules and doing your research, you can generate a return that is both profitable and competitive. Your pricing should always be consistent, accurate and competitive! This fact sheet will introduce you to a few simple ways to achieve this.**

First, ask yourself these questions about your product:

- What are your fixed and variable costs (operating costs)? (See Annex 1 and 2)
  - Fixed costs = lighting, heating, marketing, telephone, admin etc.
  - Variable costs = costs that are incurred only if the experience takes place. E.g. food and drink, fuel costs
- What is your break-even point?
  - Work out your break-even point. This can be difficult as many factors may need to be considered and it can be worthwhile to engage an accountant to help you with this.  
(<https://www.startupdonut.co.uk/financing-a-business/setting-prices/setting-prices-overview> and <https://www.experian.co.uk/business-express/hub/business-tools/break-even-calculator>)
- What is your profit margin?
  - What profit margin will you be comfortable with?
- What levels of commission will you need to pay?
  - These can range from 10% (for some Travel Agents) to 30% (for some Tour Operators). You have to consider this cost as a variable marketing cost as using the travel trade will enable you to reach markets for a lower cost than marketing by yourself.
- The sum total of your operating costs (average per guest), your profit margin and the commissions will give you your Gross (or retail) price.



If your business is VAT registered, don't forget to account for VAT above this price.

Whilst this will give you a price that ensures your business is profitable there are other factors that you need to consider to ensure your business is competitive.



## Competitor Analysis

The best place to start is to undertake a competitor analysis. Compare your business to similar businesses in the area (annex 3); what is their price per hour? It's also good to look at competitors reviews and see if customers felt that it was value for money.

When doing this, take into account if they have any value added elements. For example, do they offer food? do they provide a hotel pick up? do they not offer something that you do? This could all add to the perceived value of your product.

**Table 1: Worked example of a competitor price analysis**

Experience	Price per experience	Number of hours	Price per hour	Value added elements?
National Park Bike Tours	£45	3	£15	A picnic lunch
National Park E-Bike Tour	£60	3	£20	Electric bike A picnic lunch
National Park Canadian Canoe Experience	£60	2	£30	A free badge Souvenir photograph

Complete the local price analysis for as many similar businesses as you can (a minimum of 10), the more information you can gather the more confident you will be in your pricing.

Once you have completed a price analysis for local competitors it is also good practice to undertake the same task on a national basis (annex 4). Here you might be able to find businesses that are more similar to yours so will make a better comparison.

When planning to work with the international travel trade it is also advisable to undertake a competitor pricing analysis on an international level (annex 5). This can be more difficult and may not give a fair comparison due to differing operating costs in different countries, and the impact of currency valuation, but it will inform you of what the international traveller may be used to paying and therefore willing to pay.

Undertaking this research may also give you ideas of how you can develop your experience; are they offering something that is perceived positively by guests that you



could also offer? Which OTAs (online travel agents) do they list with? Is there a difference in pricing according to the OTA? This may help you decide which OTA it might be best to list with according to your price.

Also, consider how unique your business activities are. Do you offer activities that can be done easily in other areas? Or is it a once in a lifetime experience? People are willing to pay a premium for more unique experiences.



## Pricing- best practice

- Be consistent! Keep your pricing point the same for the whole financial year as this will allow the travel trade to have the confidence to include your product in future itineraries. Offer the same prices across different distribution partners.
- Provide consistent rates for up to two financial years. The planning cycles can be up to 18 months so TOs will need to know your rates quite far in advance.
- Allow for commissions. Ensure that you have factored in various commissionable rates to your pricing. The commission rates will vary; typically 10-20% for Travel Agents (TAs) and around 25% for Tour Operators (TOs) although be aware that these are not set and each trade partner might have different expectations. Consider their reach and the potential for growth for your business when negotiating commissions.
- Do not share your rates, for each distribution partner - plan them in advance and set them for the year but supply them upon request.
- Provide different pricing structures. Consider whether you want to offer a net rate. Here you will offer the price minus the commission allowing the trade to set their own price when reselling or including within an itinerary. Some TOs will expect this rate to be offered at around 25% below your retail price. Typical rates to provide include: a Tour Operator rate, an FIT rate, an Ad Hoc Group Rate and a Tour Series Rate.
- Be willing to negotiate on commission levels but ensure the product is still profitable.
- Have clear terms and conditions on one page that can be attached to the rates. *We advise seeking professional legal advice to ensure your business is protected.*
- Consider seasonality - are you going to alter your rates to encourage more bookings at certain times of year - try to be clear and consistent.

**Remember- pricing for your business can evolve over time. The most important thing is to ensure the price is consistent, the pricing structure is clear and it is profitable.**



## Annex 1- Fixed Costs

Item	Cost (be consistent i.e average per experience/guest)
Cost per guest/experience	



## Annex 2- Variable Costs

Item	Cost (be consistent i.e average per experience/guest)
Cost per guest/experience	





