

How to Price your product

Pricing your product

It is important when pricing your product that you consider all the variable and fixed costs associated with running your business.

Physically writing down your variable and fixed costs will help to identify how many customers you need in order to break even and will provide a guide as to when your business will become profitable.

It's important to get an indication of what your competitors are charging however keep in mind that you need to identify your individual business' profit margin and revenue target and tweak your business accordingly.

Your pricing strategy may initially take some trial and error to 'test the market' and that is okay.

Below are checklists to guide you through some of the costs you may incur. They are provided as a guide and initial starting point. You may need to consider other costs associated with your particular business.

Below are checklists to guide you through some of the costs you may incur. They are provided as a guide and initial starting point. You may need to consider other costs associated with your particular business.

Fixed Cost Checklist Operations

- | | | |
|---|--|--|
| <input type="checkbox"/> rent/mortgage repayments | <input type="checkbox"/> insurances | <input type="checkbox"/> web hosting |
| <input type="checkbox"/> gas | <input type="checkbox"/> licensing | <input type="checkbox"/> vehicle servicing |
| <input type="checkbox"/> electricity | <input type="checkbox"/> permits | <input type="checkbox"/> ongoing maintenance |
| <input type="checkbox"/> waste removal | <input type="checkbox"/> point of sale subscriptions | <input type="checkbox"/> pest control |
| <input type="checkbox"/> water | <input type="checkbox"/> internet & phone connection | |
| <input type="checkbox"/> equipment depreciation | <input type="checkbox"/> computer software | |

Fixed Cost Checklist Marketing

- | | | |
|--|---|--|
| <input type="checkbox"/> brochure production | <input type="checkbox"/> familiarisation cost (hosting trade) | <input type="checkbox"/> brochure distribution |
| <input type="checkbox"/> marketing fees | <input type="checkbox"/> internet development | <input type="checkbox"/> campaign fees |
| <input type="checkbox"/> social media | <input type="checkbox"/> sales calls (travel costs) | <input type="checkbox"/> advertising |
| <input type="checkbox"/> printing costs | | |

Fixed Cost Checklist Administration

- | | | |
|---|--|--|
| <input type="checkbox"/> accounting fees | <input type="checkbox"/> permanent wages | <input type="checkbox"/> bank charges |
| <input type="checkbox"/> superannuation | <input type="checkbox"/> postage | <input type="checkbox"/> work cover |
| <input type="checkbox"/> government charges | <input type="checkbox"/> insurance | <input type="checkbox"/> membership fees |
| <input type="checkbox"/> stationary | | |

Variable Cost Checklist

- | | | |
|---|--|---------------------------------------|
| <input type="checkbox"/> meals (pp) | <input type="checkbox"/> laundering | <input type="checkbox"/> casual wages |
| <input type="checkbox"/> drinks (pp) | <input type="checkbox"/> welcome gifts | <input type="checkbox"/> commission |
| <input type="checkbox"/> park entrance costs (pp) | <input type="checkbox"/> external supplier misc costs | <input type="checkbox"/> cleaning |
| <input type="checkbox"/> fuel | <input type="checkbox"/> consumables (shampoo, conditioner, insect repellent, etc) | |

How to Price your product

Other things to consider when pricing your product

- When initially setting up your pricing strategy it is important to identify how you plan to distribute your product. If you want to join the trade distribution system, build a commissionable component into your pricing strategy.
- Know the difference between gross and net rates. Your 'gross price' is the price that your customers will pay, no matter where your product or service is purchased. Wholesale and Inbound agents will request 'net rates'. Net rates are your gross price less the commission you agree to pay to that agent.
- Depending on who you choose to work with you may be asked to pay between 10% to 30% commission. This may seem daunting at first, however many owners and business managers are surprised when they sit down and work out the actual cost of working with trade distribution partners.

A good way to work this out is to work out the 'average commission'.

Average Commission example

| A | B | C |
|-------------------------------------|------------------|-----------------|
| Commission Type | Sales Proportion | Average = (AxB) |
| No commission from direct bookings | 50% | 0% |
| 10% commission for retail sales | 30% | 3% |
| 12.5% commission for Visitor Centre | 10% | 1.25% |
| 20% commission for wholesale sales | 5% | 1% |
| 25% commission for inbound sales | 5% | 1.25% |
| 30% commission for inbound sales | 0% | 0% |
| | 100% | 6.50% |

Based on this mix of where bookings are coming from this business' average commission is 6.50% over 12 months. So although 25% commission might be daunting at first, when you break it down it is most definitely affordable.

When working with key trade partners you may be asked to participate in campaigns. Generally, the only cost attributed to campaigns are offering a value add or a discount. This is also important to consider when pricing your product.

As part of your pricing strategy it would be useful to identify which value adds your business would be prepared to offer. Consider if you're able to in fact offer a discount and what that discount percentage would be.

Being prepared will assist you in busy times to make a quick decision and capitalise on valuable opportunities to work with trade partners.

Value suggestions

- | | |
|--|---|
| <input type="checkbox"/> meal upgrade / meal voucher | <input type="checkbox"/> a special encounter (with animals, special guests) |
| <input type="checkbox"/> room upgrade | <input type="checkbox"/> transfers (if not already included) |
| <input type="checkbox"/> souvenir | <input type="checkbox"/> additional touring product |
| <input type="checkbox"/> drink voucher | |

Note: We recommend revisiting this process annually to ensure your product remains priced correctly. Contact us for more information distribution.tourismnt@nt.gov.au