

# 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

- rent/mortgage repayments
- gas
- electricity
- waste removal
- water
- equipment depreciation

- insurances
- licensing
- permits
- point of sale subscriptions
- internet & phone connection
- computer software

- web hosting
- vehicle servicing
- ongoing maintenance
- pest control

## Fixed Cost Checklist Marketing

- brochure production
- marketing fees
- social media
- printing costs

- familiarisation cost (hosting trade)
- internet development
- sales calls (travel costs)

- brochure distribution
- campaign fees
- advertising

## Fixed Cost Checklist Administration

- accounting fees
- superannuation
- government charges
- stationary

- permanent wages
- postage
- insurance

- bank charges
- work cover
- membership fees

## Variable Cost Checklist

- meals (pp)
- drinks (pp)
- park entrance costs (pp)
- fuel

- laundering
- welcome gifts
- external supplier misc costs
- consumables (shampoo, conditioner, insect repellent, etc)

- casual wages
- commission
- cleaning

# 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 from travel retail sales	30%	3%
15% commission from visitor centres	10%	1.5%
25% commission from wholesalers	5%	1.25%
30% commission for inbound sales (ITO)	5%	1.5%
	100%	7.25%

*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](mailto:distribution.tourismnt@nt.gov.au)