



# Sustainable Pricing and Packaging

Workshop Reference Guide

Prepared by

**TRC Tourism**

# Welcome to the Sustainable Pricing and Packaging Reference Guide

This reference guide has been produced by TRC Tourism as a follow up to the Sustainable Pricing and Packaging workshops delivered in May and June 2022.

The guide has been specifically designed to recap on the workshop topics and provide you with access to additional resources and sources to support you in taking the next steps to sustainably pricing and packaging your products.

You are encouraged to develop and maintain a strong relationship with your RTO/EDA. They lead and implement the regional strategy for attracting visitors to your destination. They will guide you through the process of making connections in the industry, provide you with tourism insights, sales and marketing advice and connect you with programmes and resources that are in place to help you build your business capability.



## **Acknowledgements**

*This Tourism Product Development Framework has been prepared by TRC Tourism Pty Ltd as a resource for a Qualmark NZ funded capability building project delivered in regions May and June 2022.*

## **Disclaimer**

*Information contained in this framework is to be used as a guide only, and professional advice specific for the business is recommended to ensure all the terms and conditions are covered to protect the business and before making decisions or implementing actions.*

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# Tools in your Toolbox



[register.newzealand.com](https://register.newzealand.com)

Make sure your Business Listing and Product Listings are up to date on the **Tourism Business Database**



[tourismnewzealand.com](https://tourismnewzealand.com)

Participate in New Zealand and Australia campaigns, via the Tourism Business Database. Sign up to **Tourism News** for updates.



[Insights.tourismnewzealand.com](https://insights.tourismnewzealand.com)

Get familiar with the domestic and international **consumer mindsets** Tourism New Zealand will be targeting



[tourismnewzealand.com/events](https://tourismnewzealand.com/events)

Keep up to date with off-shore Trade Events, via events [tourismnewzealand.com](https://tourismnewzealand.com)



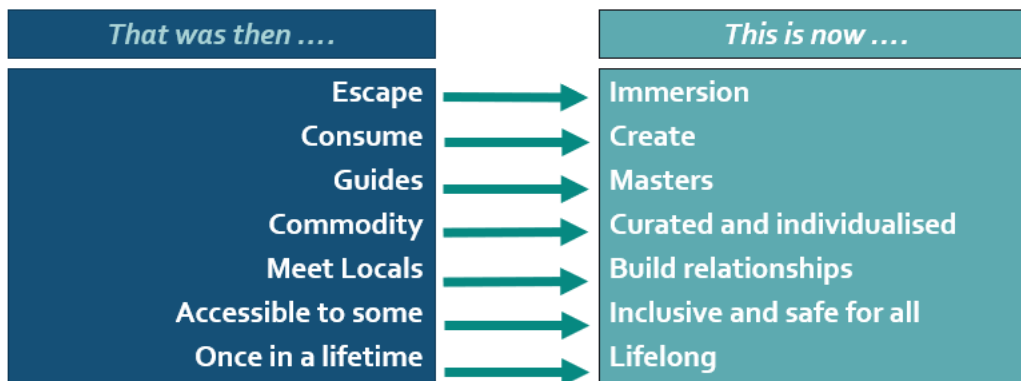
Keep your **Regional Tourism Organisation**, or Tourism New Zealand up to date with any NEW experiences or changes to your product offering



[qualmark.co.nz](https://qualmark.co.nz)

Join **Qualmark** for Priority on [newzealand.com](https://newzealand.com), access to **Famils**, Events and a requirement for paid campaigns

## Travel Trends that inform Experience Design



## Visitor Experience Design

**GETTING IT RIGHT** = Understanding of your visitor profile and their expectations + Regional positioning and destination aspirations + business capability + value proposition + quality delivery

Thinking about your business:

Do your visitor experiences reflect or align with the regional visitor positioning?

*Do they suit the markets your region is targeting?*

*Does your experience match visitor expectations?*

*Is your value proposition clearly articulated through your story?*



**TIP: Alignment of the product with the type of visitors already coming to the region is critical. Capturing a share of the visitors already coming to the region has a higher chance of success than having to attract the market before you attract your share.**

## Your Value Proposition

It is important to consider the values of your business and what differentiates your products from others.

This will inform the principles with which you operate your business and ultimately the experience you deliver.

Knowing your value proposition will help inform your 'elevator pitch' the marketing and sales approach.

When developing or evaluating your visitor experience consider what can be included to make it more interactive and memorable for the visitor that aligns with your value proposition.

An experience is the sum total of an individual's personal interaction with places and/or people that awaken their senses, affect their emotions, stimulate their minds or leaves them with a sense of connection to these places and people.



**TIP: A clear purpose and objective for developing a visitor experience needs to be identified and clearly articulated. In some cases, developing a visitor experience is secondary to the primary objective of the business owner. If this is the case, then it must be complimentary to, and not undermine, the primary purpose of the business.**

## Your Value Proposition Informs Your Story

What makes your product stand out? Understanding what and who you are as an operator will enable you to determine who and how to market your product to potential visitors. Having a clear and distinct way of articulating that proposition, your elevator pitch so to speak, will also help in delivering your key point of differences in a succinct and managed way.



### Case Study:



<https://www.youtube.com/watch?v=d-QjxLWBXw>

### Case Study: Soar Like an Eagle



*"I was waiting in line for a ride at the airport. When a cab pulled up, the first thing I noticed was the taxi was polished to a bright shine. Smartly dressed in a white shirt, black tie, and freshly pressed black slacks, the cab driver jumped out and rounded the car to open the back passenger door for me.*

*He handed me a laminated card and said, 'I'm Wasu, your driver. While I'm loading your bags in the trunk, I'd like you to read my mission statement.' Taken aback, I read the card. It said, 'Wasu's Mission Statement: To get my customers to their destination in the quickest, safest, and cheapest way possible in a friendly environment.' This blew me away. Especially when I noticed the inside of the cab matched the outside. Spotlessly clean! As he slid behind the wheel, Wasu said, 'Would you like a cup of coffee? I have a thermos of regular and one of decaf.' I said jokingly, 'No, I'd prefer a soft drink.' Wasu smiled and said, 'No problem. I have a cooler up front with regular and Diet Coke, lassi, water, and orange juice.' Almost stuttering, I said, 'I'll take a lassi since I've never had one before.' Handing me my drink, Wasu said, 'If you'd like something to read, I have Good Housekeeping magazine, Reader's Digest, The Bible, and a Travel + Leisure magazine.'*

*As we were pulling away, Wasu handed me another laminated card, 'These are the stations I get and the music they play, if you'd like to listen to the radio.' And as if that weren't enough, Wasu told me he had the heater on and asked if the temperature was comfortable for me. Then he advised me of the best route to my destination for that time of day. He also let me know he'd be happy to chat and tell me about some of the sights or, if I preferred, to leave me with my own thoughts.*

*'Tell me, Wasu,' I was amazed and asked him, 'have you always served customers like this?' Wasu smiled into the rear-view mirror. 'No, not always. In fact, it's only been in the last two years. My first five years driving, I spent most of my time complaining like all the rest of the cabbies do. Then I heard about power of choice one day.' 'Power of choice is that you can be a duck or an eagle. If you get up in the morning expecting to have a bad day, you'll rarely disappoint yourself. Stop complaining! Don't be a duck. Be an eagle. Ducks quack and complain. Eagles soar above the crowd.' 'That hit me right,' said Wasu. He continued and said, 'It is about me. I was always quacking and complaining, so I decided to change my attitude and become an eagle. I looked around at the other cabs and their drivers. The cabs were dirty, the drivers were unfriendly, and the customers were unhappy. So, I decided to make some changes. I put in a few at a time. When my customers responded well, I did more.'*

*'I take it that has paid off for you,' I said. 'It sure has,' Wasu replied. 'My first year as an eagle, I doubled my income from the previous year. This year, I'll probably quadruple it. My customers call me for appointments on my cell phone or leave a message on it.'*

*Wasu made a different choice. He decided to stop quacking like ducks and start soaring like eagles. I hope we all decide to soar like an eagle and not quack like a duck."*

*Credit: Summer Grace Vanni*

## Pricing Your Product

Setting a pricing or rate schedule to accommodate both retail and future trade rate considerations is critical. The product needs to be priced consistently, accurately and competitively to be successful in the market.

The tourism product's price needs to encompass all the costs associated with conducting business, with a large enough margin to ensure a profitable and sustainable operation.

### **Consider the following:**

Fixed costs and overheads that may need to be considered are:

- labour (management and staff)
- stock/assets
- legal and accountancy fees
- bank fees and costs associated with receiving payments
- insurance/s
- marketing and sales costs (design, promotional materials, sales calls, trade shows etc)
- commission rates (refer below section on working with Travel Sellers for more detail)
- maintenance and repairs

### **Also factor in...**

- how many days/departures does the product have capacity to operate throughout the year
- what are the minimum numbers required to operate and maximum numbers allowed
- The maximum number may be determined by health and safety regulations, passenger comfort consideration, financial break-even point or a combination of these
- is the product seasonal. Can it operate all year round or will it be seasonal to coincide with peak arrivals from the target markets
- how many days/departures and capacity to operate
- weather disruptions
- minimum numbers/ maximum numbers

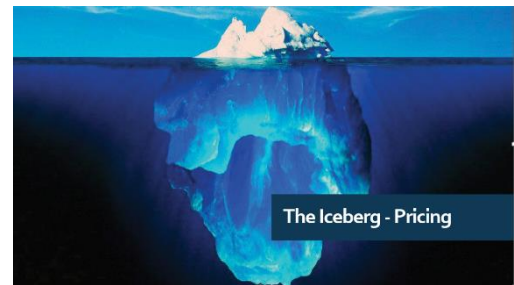
### **But wait there is more...**

- what is the demand for the product
- who/where is the competition
- do you have any information on customer perception and willingness to pay
- what is your unique value proposition
- think ahead to capture inflation, disruptors, and long lead pricing
- YOU!!! At a minimum consider market rate wages for your time working in and on the business
- your profit margin



## Knowing Your Break-Even Point

When you know what your break-even point is to deliver your visitor experience you can set your water line. You can then make informed decisions about when you go below that. You might run a tour below your minimum numbers threshold, but do so knowing that you will impact your economic benefit, but at the same time enhance your social, cultural or even environmental status.



**TIP: Talk to your bank or accountant about a template break even calculator, alternatively start with the tools you have like Xero or MYOB to populate an excel spreadsheet.**

## Adding Value VS Discount Deals

Value is not about dropping your prices and diving to the bottom. It is about looking at what you can add to the experience that visitors will see as a valuable inclusion. Discounting has its place, and can provide a type of benefit for operators, especially when looking at moving additional inventory on tours where you have space, but it should not be the only option you explore with regards to offering value in an experience or package.



**TIP: Remember the example of the West Coast motelier who offered to wash the car for their customer instead of discounting the price.**



**TIP: Check out this section on [business.govt.nz](https://www.business.govt.nz/business-performance/business-strategy/creating-your-own-space/) on how to increase the value of your product and reduce costs at the same time.**

## Packaging/Bundling Your Products and Services

Aligning and marketing complementary products together to form compelling and unique experiences for the consumer.

- Using the assets and services around you
- Bringing in non-traditional service providers to create a point of difference
- Partnering with others who have complementary strengths or experiences
- Generating a stronger commissionable proposition for distribution partners

Packaging is an enabler for your business. There is an opportunity to add value and build the package into something more commission friendly and provide the level of experience visitors are looking for.



**TIP: Remember your greatest allies are your fellow businesses in the region.**

## Booking Systems

There are many booking systems out there, and it is up to you which one will work best for your business. What is important is that you understand how to work that system to deliver what you need, and enable you to activate packages with other businesses, potentially by also using your accounting software (Xero or MYOB for example).

## Other Tips and Ideas We Discussed

- Converting referrals into confirmed bookings – work with your local operator network to set up a process for converting referrals into confirmed bookings. It's a win-win for everyone.
- Discuss with your local i-SITE how they can be assisting you with converting short lead bookings. How can you incentivise this through a value add?
- Beyond your local i-SITE consider making contact and building a relationship with the i-SITES located in feeder regions to your business.
- Know where your online referrals are coming from. Review your google analytics regularly.

## Working With Travel Sellers

There is an international network of travel sellers who are able to connect your product with travellers to maximise your sales potential. This network is collectively known as the ‘travel trade’.

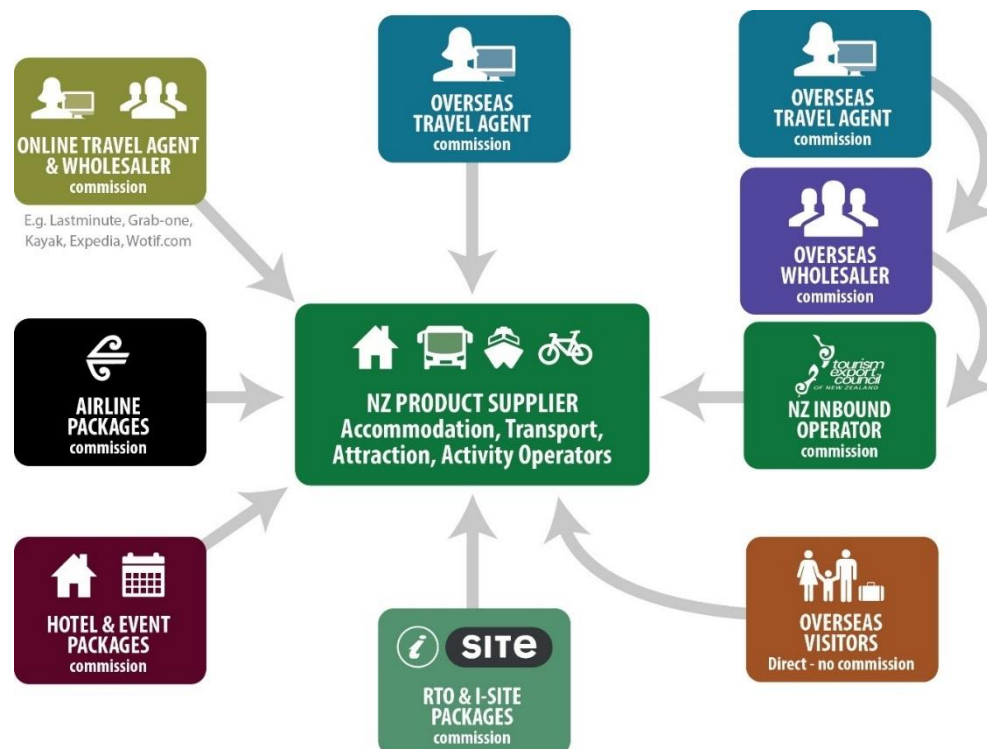
The benefits of working with the travel trade are:

- they do the international marketing and act as a sales agent on the tourism products behalf
- they have access to new market intelligence, promote at tradeshows and coordinate familiarisations
- they provide long lead time wholesale bookings which assists with business planning efficiency
- they provide volume bookings and repeat business all year round
- they offer security of working with a NZ partner

## What it means to be ‘Trade Ready’

The travel trade will be looking to work with businesses considered ‘trade ready’. In essence, this entails being already established within the domestic market, having the required booking mechanisms in place for international guests, having the ability to confirm bookings within a 3-4 hour window, having a fully commissionable product, and being able to forward set pricing 1-2 years in advance.

**How the travel distribution channel works:**



## Commission Guidelines

It is important to understand that commission is a fee paid to someone else to promote your business. It should be viewed positively as an investment to generate sales, not negatively as a cost to the business.

Commissions are the fees paid by the tourism product to inbound tour operators, wholesalers (both domestic and international) and online or retail travel agents. Pricing to accommodate commission is the first and most important tactic a tourism product wishing to attract domestic and/or international travel visitors needs to consider. Unless the customer comes to the product directly, commission is paid at each stage of the travel distribution.

Commission rates can vary from as little as 10-15% for i-SITE Visitor Information Centres and from 20-30% for the travel trade. Agreements with any domestic wholesalers and retail travel agencies will also require commission to be agreed and built into the price.

The following was created by the Tourism Export Council of NZ (TECNZ) to explain how the various levels of commission are paid throughout the distribution process.



TECNZ has compiled a comprehensive [Guide to Understanding and working with NZ Inbound Tour Operators](#) that we recommend you download and review.

The manual contains advice on understanding the travel distribution system, researching international markets to establish who will use the product, recognising the different styles of inbound travellers, information on pricing the product and working with international trade.



**TIP: Ensure you record what commitments you have in place with travel sellers so that you can ensure you meet those commitments and can review pricing and contracts regularly.**



**TIP: You don't have to offer all your products to trade. There may be some tours or products that you offer that are priced appropriately and working well, but if it were to be offered through trade channels, the commission would take all margin and potential salary out of the tour itself. There is no reason that all tours or products that you offer have to be offered through trade, some might only be available through your local i-SITE or directly.**

