

UNIT 4: The Travel and Tourism Business Toolkit

EXAMINE THE KEY PRINCIPLES OF REVENUE MANAGEMENT FOR THE
TRAVEL AND TOURISM INDUSTRY

Characteristics of the Tourism Industry

- ▶ Perishability
- ▶ Inconsistency
- ▶ Investment and immobility
- ▶ People-oriented
- ▶ Inseparability
- ▶ Intangibility
- ▶ Inflexibility
- ▶ Imitability

Pricing Strategy for Tourism Businesses

Price is part of the marketing mix: "A product's price is that which consumers exchange with the market in order to purchase the product."

Pricing Strategy for Tourism Businesses

- ▶ How unique is your business? The more unique your tourism product the more flexibility you will have to decide your pricing.
- ▶ What value added services do you provide inclusive of the experience?
- ▶ What market do you want to attract and what positioning in the market do you want to establish?
- ▶ What are your operating costs (fixed and variable)? Using your costs, get your accountant to help you calculate your break-even point and therefore what your minimum pricing should be for profit goals (estimates of revenue, occupancy rates etc will be needed).
- ▶ For most tourism businesses setting prices will be more market based – that is, what do competitors with similar products and services charge within your market?

Pricing Strategy for Tourism Businesses; Components

- ▶ Rack Rates
- ▶ Seasonal Pricing
- ▶ Last Minute Pricing
- ▶ Package Deals
- ▶ Commissions

Pricing Strategy for Tourism Businesses; Types

- ▶ Per Person pricing
- ▶ Per Unit pricing
- ▶ Single or double occupancy

Pricing Strategy for Tourism Businesses; Generic Types

- ▶ Marginal cost pricing involves the setting of prices, and therefore determines the amount produced, according to the marginal costs of production. It is normally associated with a profit maximising objective.
- ▶ Incremental pricing deals with the relationship between larger changes in revenues and costs associated with the managerial decisions. To use an incremental analysis properly requires a wide-ranging examination of the total effect of any decision rather than simply the effect at the margin.
- ▶ Break-even pricing requires that the price of the product is set so that the total revenue earned equals the total costs of production.
- ▶ Mark-up pricing is similar to break-even pricing, except that a desired rate of profit is build into the price. Hence this is also sometimes referred to as cost-plus pricing, full-cost pricing or target-profit pricing.

Pricing Strategy for Tourism Businesses; Competition

- ▶ Pricing in perfectly competitive markets.
- ▶ Product Pricing in monopoly markets.
- ▶ Pricing in monopolistically competitive markets
- ▶ Pricing in oligopoly markets

Pricing Strategy for Tourism Businesses; Marketing Mix

- ▶ Product
- ▶ Place
- ▶ Promotion

Pricing Strategy for Tourism Businesses; Factors

- ▶ Overall marketing policy and objectives.
- ▶ The price-quality relationship of the company's range of service offerings, especially with regard to the market life cycle.
- ▶ The uniqueness of the tourism offering and strength of brand.
- ▶ The structure of the market and the company's position in the market place.
- ▶ Currency exchange rates
- ▶ Government involvement in the market.

Bibliography

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