

ETAG TRAVEL TRADE RESOURCE

RATES & PRICING - A LITTLE MORE DETAIL...

Your rates strategy must reflect you achieving the rates that you need to ensure your costs are covered and that you incorporate your desired profit level. You **must** include when creating your rates the relative margin for the tour operator.

TYPES OF PRICING/RATES

Commissionable Trade Rates:

With this model you would pay the Travel Trade partner an agreed level of commission on your Best Available Rate (direct consumer rate or gross rate).

Commission is usually paid to the Travel Trade partner after the guest has stayed or visited, they will send a commission invoice.

Commission rates can vary from 10-30%.

This option allows you to regularly amend your Best Available Rate as you wish as the Travel Trade partners know they will get their agreed level of commission on whatever that rate is.

Net Trade Rates:

Here you offer the travel trade partner a rate that is slightly lower than your Best Available Rate (direct consumer or gross rate) to enable them margin to mark up during the packaging of your product.

Generally these are static net rates agreed 18-24 months in advance so this does give less flexibility to amend your net pricing as the agreed net rate are usually contracted.

These rates must remain confidential the consumer should not know what they are as it is an agreement specifically between the Travel Trade partner and you.

As the Travel Trade partner is buying at a special reduced rate at the time of sale there is no need for commission claims at a later stage.

Gross Rate:

Net Rate + commission. The gross rate (Best available rate) is the amount that the consumer pays and should be consistent across all your distribution channels.

EXAMPLES

For an **accommodation provider** perhaps as an example – you need to achieve a rate of £100 to cover all the above.

A **net rate** offer for the travel trade would be £100, they would then take this rate, mark it up to include their margin and package up with other elements.

A **commissionable rate** offer for the travel trade would be a minimum of around £115 to allow them to claim their commission (usually anything between 10 and 30%)

Your **public facing rate (Best Available rate)** cannot be less than the travel trade rate therefore not below £115 but perhaps to ensure that it is also still attractive to any direct bookers, maybe add some value such as a welcome drink or upgrade?

For a **tourist attraction, tour or a lower margin product** then perhaps just an agreed reduced trade rate is the best solution.

An example here maybe that your public entry price for a tour is £15.00, for the travel trade you could therefore offer a special trade rate of around £13.00.

TOP TIPS

Remember that working with these intermediaries (Travel Trade partners) will open hundreds and thousands of potential sales channels bringing customers to your door so please consider this as **marketing investment** rather than reduced rates or costs.

Lead times can be long, so rates should be in place for the forthcoming 18 months – 2 years minimum.

Keep your Best Available rates (direct consumer rates) at a level that once commission is taken off or rate made net you are still achieving a bottom line you are comfortable with.

Commission levels and net margins can vary for example a retail travel agency where there is just one sale direct to consumer maybe less than a tour operator who in turn has to pay a margin to a local DMC.

Remember this pricing has to work for you as much as it work for your Travel Trade partners.

Keep it simple!