



Pricing & Discounts

MAXIMIZING REVENUE WITH PRICING STRATEGIES

Maximizing Revenue With Pricing Strategies



Setting your price.



Increasing Average Price: Bundling & Smart Discounts



Capturing Revenue when you Normally Wouldn't

Price Setting Mechanisms

Harvard Business Review

Traditional mark-up pricing. Marking up production costs, calibrating against competitors' prices.

Value-based pricing. According to the offering's worth

Anchor pricing. Common cognitive bias to position & sell up.

Name your own price . Best known from Priceline.

Auctioning. (Google) bid for offerings -- yielding prices the seller would never have had the audacity to name.

Demand-driven pricing or Dynamic pricing. Lets fluctuations in aggregate demand drive changes in price. (airlines, hotels)



Case Study



Anchor Pricing

EXPERIMENTATION IS KEY!

Test #1: Premium Option



\$1.80

20%



\$2.50

80%

4 out of 5 chose premium option.

Test #2: Two Cheaper Options



\$1.60

0%



\$1.80

80%



\$2.50

20%

Oops. Ratio upended.

Test #3: 1 Premium, 1 Value



\$1.80

0%



\$2.50

80%



\$3.40

20%

It worked!



Before Anchor Pricing



CANYON SHUTTLE SERVICE

STARTING 05/04/19

[Book Now](#)

\$20

11%



CANYON SHUTTLE & BIKE RENTAL

STARTING 05/04/19

[Book Now](#)

\$40

89%



BLUE SKY
ADVENTURES




CANYON
BIKES



After Anchor Pricing

175 more Shuttles Run generated **33% INCREASE** in Rev




CANYON SHUTTLE SERVICE

STARTING 05/04/19

Book Now

\$22.99

7%




CANYON SHUTTLE & BIKE RENTAL

STARTING 05/04/19

Book Now

\$42.99

87%



E-BIKE & CANYON SHUTTLE

STARTING 05/04/19

Book Now

\$62.99

6%

Value Based Pricing

Value Creation

Innovate with unique offerings.
Add more value than the other guy.




Value Capture

Capture value for these innovations!
Premium pricing.



Raft Trips Before:

Full day trip was *least* profitable



FULL DAY ADVENTURE

STARTING 6/09/18

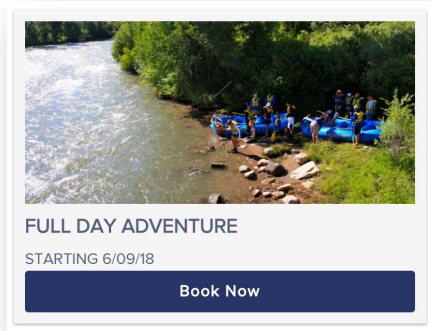
Book Now

The Full Day Raft Trip Dilemma

- Price on full day trips had very little to no margin
- Utilized resources that could be taken on more profitable trips
- Difficult to differentiate from competition
- Race to the bottom on pricing for customers

Raft Trip After

Increasing price drove positive consumer behavior >>
revenue increase



Actions:

- Increased price on Full Day trip by 15%

Result:

- Demand dropped for this product and increased on profitable items
- 12% increase in rafting revenue while servicing fewer guests (lower costs w/more margins)

Before : \$85 Base Price

After : \$108 Base Price

With an 82% decrease in guests served



Increasing Average Price: Bundling & Smart Discounts

WHAT IS MY AVERAGE PRICE?

Total number of activities sold



Revenue



WHO CARES?



Increasing Average Price = More Revenue



BUT, THERE'S MORE...

Changes in price premiums can be signs of changes
in the relationship between supply and demand.



POSSIBLE CAUSES TO FALLING PREMIUMS



Pricing
(Too Low or Overly Aggressive Group Sales)



Excess or Counterproductive Promotions



New Competition

POSSIBLE CAUSES



Pricing
(Too Low or Overly Aggressive Group Sales)

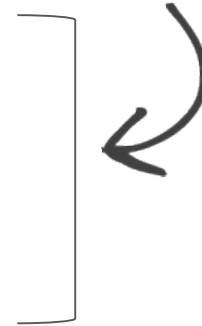


Excess or Counterproductive Promotions



New Competition

Let's Review...



DISCOUNT DILEMMA



They can bring a stampede
of buyers through the door
faster than just about
anything else.



But...they can also destroy
price integrity with blinding
speed.

It's easy miscalculate the magnitude of the negative impacts.

THE SLIPPERY SLOPE OF DISCOUNTS



TRAIN CUSTOMERS TO WAIT FOR THE DEAL:

Poor discounting practices can train buyers to expect a markdown (i.e. daily deals)



NOT GAINING NEW, LOYAL CUSTOMERS:

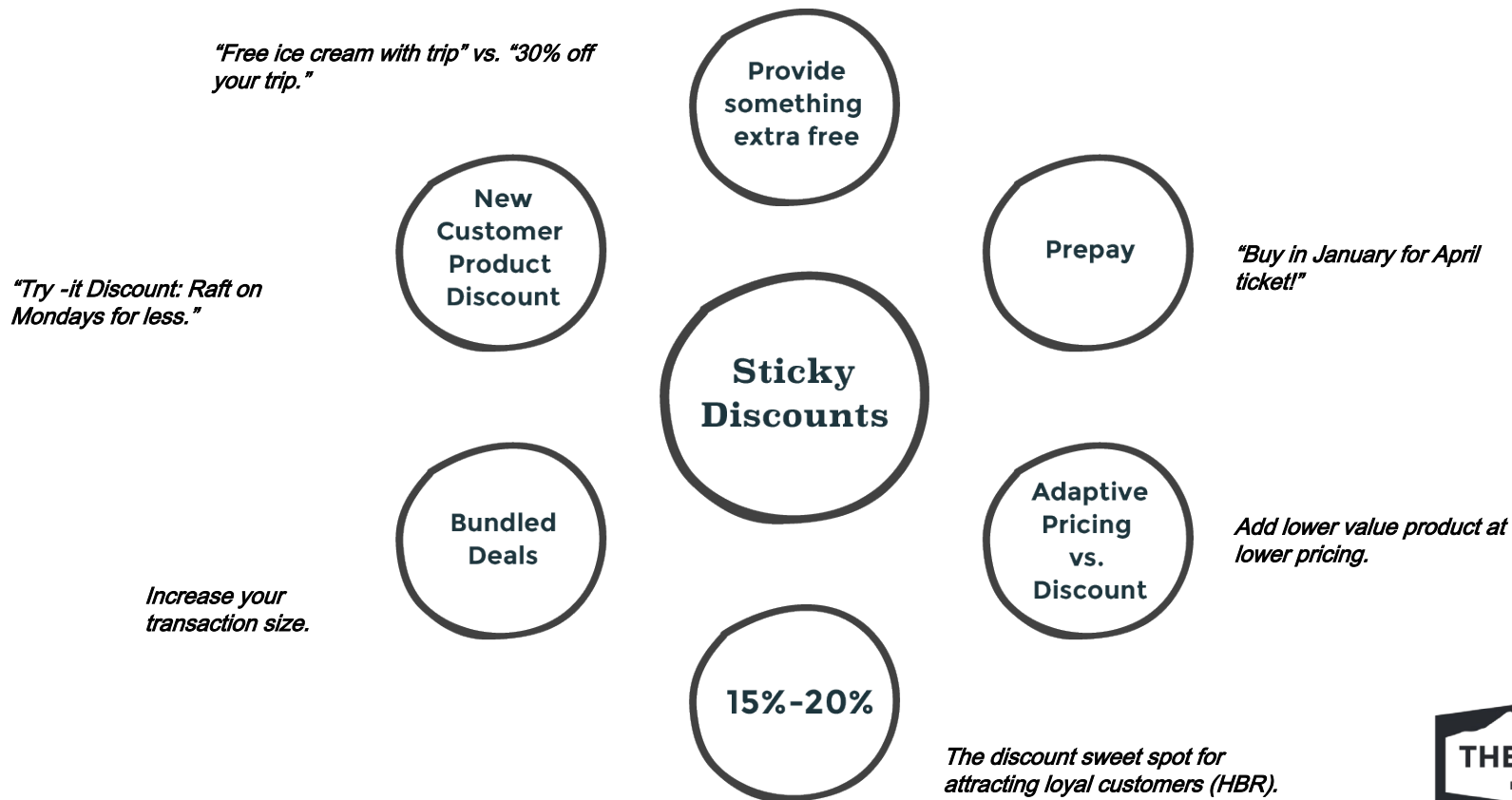
Instead appealing to extreme customer who will go to any length to get a discount and follows deals with no loyalty. (HBR)



CAN HURT REVIEWS:

Study shows discounting can hurt your reviews (on TripAdvisor, for example).

6 TIPS: HOW TO BE STICKY VS. SLIPPERY



Before: Discount Strategy & Tactics

Fear based

3rd Party Digital Coupon campaigns to drive volume

3rd Party charges 15%+

Discounting on top of that 20%+

= Slim to no margin

Dropped price on group trips out of fear

Made little money on groups

Groups of 16 or more received 20% discount

Reacted to competition and their pricing

Less control over profitability even though experience was more valuable

After: Discount Strategy & Tactics

Pricing with confidence in brand & experience delivered

Eliminated 3rd Party
Coupon Site Campaigns

Improves brand

Group pricing is at healthier
margin

Group trips are profitable now:

- 10%- Groups 8 to 15 ppl.
- 15%- Groups 16 or larger
- Appr. 25% - Schools groups and nonprofit

No longer reacting to
competition

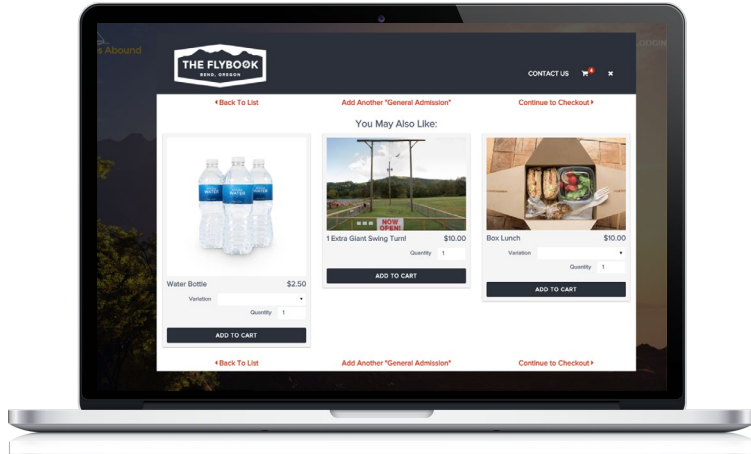
Setting prices based on
value delivered vs. fear

Packages & Upsells

FIND WAYS TO INCREASE YOUR CUSTOMERS CART!

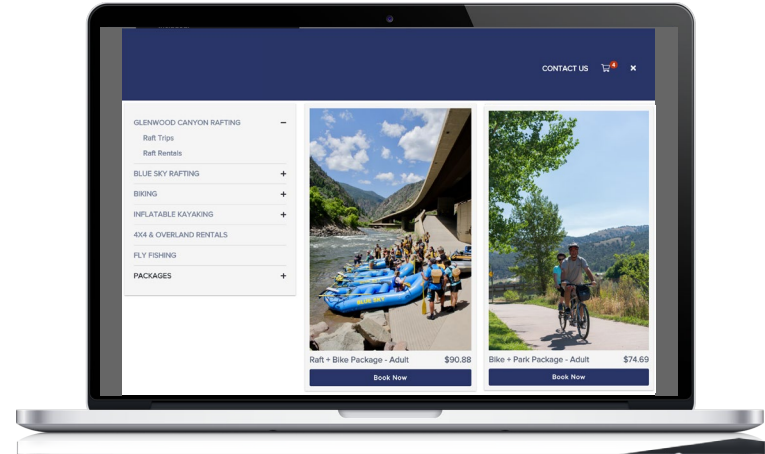
Upsells

Offer clear upsells before they get to checkout (products or additional ticket types).



Packages

Increase the order size when they originally wouldn't have. Birthday parties * Group Targeting * Family packs



Capturing Revenue When You Normally Wouldn't



The Pre -Sale

What:

Gifts and Pre -Sales

Why:

Generate cash flow during times of otherwise slow cash flow

Hedge against bad weather

Even with discounted offering of 20% redemption is 20 -30%, so the discount is net 0

Typical customer with gift cert redeemed is bringing friends/family with them

When:

Consumer buying patterns (In -season, holidays, ~2 -3 months pre -season)



Advance Sales: Best Practices

Sell while still in current season!

- Still relevant with customer base, in “Summer” mindset vs. catching them in winter mode



Email still works...really well

- Example:
- Sent 13k emails total for 3 locations in month of October
- High frequency – almost 20 emails in October
- Extremely low unsubscribe rate
- 80/20 on email vs. social advertising



FOMO is real...deadlines work

- 70% of sales were purchased within 2 days of deadline ending



Still more to capture!

- 97% of customer base/list did NOT purchase yet



Summary

Set Prices with Confidence

Experiment with pricing and try new mechanisms like anchor, value and forms of dynamic pricing

Get creative with raising your averages (and revenue)

Smart Discounts

Increase the sale with packaging

Pre-sales

Don't forget to focus on the presentation of pricing.

CLARITY is key.

It works! Confidence in price position is way up

Reviews are glowing

People want to pay more for a better service or product

Profitability has increased in two years (22% up for biking, 6% up for rafting)



