



THE ULTIMATE DYNAMIC PRICING GUIDE

FOR TRANSPORT & TOUR OPERATORS

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Introduction

Welcome to Zau's guide to dynamic pricing for tour, activity and transportation operators!

Dynamic pricing is designed to help you maximize your profitability and grow your business but it requires thoughtful consideration before being adopted and is not without its pitfalls.

With this in mind we've created this guidebook to help walk you through the process.

We'll cover the fundamentals of dynamic pricing, examine the pros, cons and risks associated with it and the questions to ask yourself as you evaluate whether dynamic pricing could be a good fit for your business.

Lastly we will discuss how to implement, measure and monitor dynamic pricing in Zau, and provide some practical examples to illustrate how a couple of different companies may want to approach dynamic pricing.



What is Dynamic Pricing?

Dynamic pricing, also referred to as surge pricing, demand-based pricing, or time-based pricing, is a strategic approach employed by businesses in the tourism and travel industry to adjust the prices of their products in response to changing demand, supply and other market factors.

The objective of dynamic pricing is to maximize profits and better meet customer demand by adapting pricing based on demand fluctuations.

Unlike fixed pricing, which maintains set prices over a given period, dynamic pricing involves frequent and often instantaneous modifications to the price of a product or a service.

The Origins of Dynamic Pricing

The airline sector was the first in the tourism industry to implement dynamic pricing strategy back in the 1980s with the advent of computerized reservation systems. Airlines utilized dynamic pricing to adjust ticket prices based on factors such as time until departure, seat availability, and historical booking data. The hospitality sector later followed suit, leveraging dynamic pricing to adjust room rates based on factors like seasonality, demand fluctuations, and special events.

Nowadays, dynamic pricing is also being adopted by savvy companies in the attraction, tour, activity, and transportation industries.

Types of Dynamic Pricing

In this section, we delve into four key types of dynamic pricing that are particularly relevant to businesses in the tour, activities and transportation sectors: Time-based, demand-based, peak and segmented pricing.

Time-based pricing

This strategy adjusts prices based on time-related factors such as seasonality, day of the week, time of day, and booking lead time.

The objective might be to encourage customers to purchase further ahead of time or to make prompt purchasing decisions to secure their bookings before prices increase, for example:

- **Booking lead time** - the cost increases as the activity date approaches
- **Booking date range** - limited time promotional offers

Or, the objective may be to smooth out demand over different times of day, days of week and months of the year, for example:

- **Day of week** - maximize revenue on high demand days such as weekends and spread the load to weekdays or days with lower demand
- **Departure/Start time** - set pricing to incentivise demand during quieter periods of the day such as early morning and late afternoon



Demand-based pricing

This approach adjusts pricing in response to fluctuations in demand. Examples include:

- Load-level - the price changes in response to the number of remaining spots remaining
- Event-based - price changes in response to a special event such as conference, music festival or sports event



Peak pricing

This strategy adjusts pricing based on cyclical periods of higher demand. Examples of peak pricing include:

- Peak tourist season - elevated pricing during peak season
- Public Holidays - pricing changes in response to increased travel demand on and around public holidays
- High-demand locations - prices change in response to surges in visitor numbers



Segmented pricing

This approach adjusts pricing based on various value or demographic factors. Examples include:

- Group size or composition - pricing changes in response to the number of people in one booking
- Guest type - pricing adjusts based on the guest type, such as discounts offered to seniors, students and children
- Seat type - pricing differs based on the seat type or class offering

Dynamic Pricing: Pros, Cons & Risks

Pros

- **Maximized Revenue:** Adjusting prices based on demand allows businesses to capture the maximum value from high-demand periods
- **Increased Competitiveness:** Stay competitive by responding to market changes and offering prices that reflect current demand and customer behaviour
- **Better Inventory Management:** Fill capacity during down times by encouraging travel outside of peak times and days via discounts and/or premium pricing during peak demand, reducing sell-outs and balancing operational loads
- **Increased Customer Satisfaction:** Increasing the range of price points available to your customers has the potential to both grow your customer base and drive satisfaction and loyalty if customers feel they are getting good value for their money
- **Increased Efficiency:** Dynamic pricing requires careful consideration and oversight when starting out, however over the longer term will save time and resources that would have been spent on manual pricing adjustments



Cons

- **Customer Perception:** Fluctuating prices may lead to customer distrust or frustration if not communicated transparently, causing customers to explore alternative options from competitors. While most customers have been conditioned by the airline and hotel industries to expect dynamic pricing in their travel planning, having prices change too much or too often can affect your customer's trust.
 - **Complex Implementation:** Implementing and maintaining dynamic pricing requires knowledge not only of the ebbs and flows of the business, but also requires the time, resources and skill set to monitor the technological and analytics tools associated with dynamic pricing.
 - **Potential Backlash:** Sudden price changes may lead to negative reviews or customer dissatisfaction if not handled strategically.
 - **Potential to lose Business:** Hiking prices significantly during times of peak demand carries the risk of appearing exploitative and losing customers.
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Risks

- **Maintenance over time:** Without sufficient time and resources to invest in monitoring and making adjustments to your dynamic pricing rulesets, it may not deliver the projected results.
 - **Over-reliance on Technology:** Dependence on automated systems may lead to errors if not monitored and adjusted regularly.
 - **Market Sensitivity:** Economic, political, or environmental factors can influence customer behavior and impact the effectiveness of dynamic pricing.
 - **Competitor Response:** Competitors may quickly adapt to dynamic pricing, triggering price wars or customer loyalty challenges.
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How to evaluate if Dynamic Pricing is right for your business?

To assess whether dynamic pricing aligns with your operation, ask yourself the following questions:

- **Can your company effectively gauge how and when demand for your products shifts?** Without a comprehensive understanding of the booking behavior of your customers, your business may struggle to adjust prices appropriately in response to changing demand.
- **Will your customers be receptive to non-static prices?** The success of dynamic pricing relies on customer acceptance of fluctuating prices. If potential consumers are unwilling to pay extra or if your industry has established pricing norms, implementing dynamic pricing may prove challenging, potentially leading to customer dissatisfaction.
- **Is your company a market leader in your niche?** Setting prices at will is more feasible for organizations that hold a significant position in their market. In the competitive tourism industry, a relatively small business may face challenges if it raises prices without a strong market presence, as customers could easily switch to competitors with similar offerings.
- **Are your current rates visible in the market?** For example if you have printed brochures and agreed commission and net rates with agents and wholesalers, you will need to have a strategy to handle this, or wait until the current rates have expired before implementing dynamic pricing.
- **Do your industry peers within the tourism sector already utilize dynamic pricing?** If dynamic pricing is a common practice among your competitors, it indicates that the market accepts and responds positively to this strategy. In such cases, implementing dynamic pricing makes sense, as your peers have already validated its effectiveness within the industry.

The Key Success Factors in Dynamic Pricing



Operators who achieve the greatest success in implementing a dynamic pricing strategy are those who possess a deep understanding of their business and their customer base. To mitigate risk and optimize returns, it's best to have a comprehensive grasp of the ebbs and flows of your business. This includes the following information:

1. Your Commercial Objective

Know the overarching commercial objective for your company.

- Why does your company exist in the market?
- What are your customers' expectations from your services?
- What is your market niche? Eg. Low cost, high volume, luxury, exclusive
- Are you aiming for increased sales volume or overall profit optimization?
- What are the benefits and drawbacks to your current pricing model?

2. Your Historical Data

Ideally you have at least several years worth of data:

- Booking Lead time
- Peak demand days/times
- Days/times when you are at capacity or sold out
- Whether your customers tend to visit one-time or repetitively
- Where your customers come from: Local/Domestic/International

3. Current Economic Climate

A good sense of whether your numbers are likely to be higher, lower or similar to previous years.

Key Success Factors Continued...

4. Your Competitive Environment

Knowledge of:

- Availability of alternatives
- Elasticity of demand for your services
- Existence of dynamic pricing being offered in your region/industry

5. Dates of Public Holidays and Special Events in your region

- Large conferences
- Music or sporting events
- Cruise ship embarkment/disembarkment dates

6. Availability of Alternative Booking Channels

- Can your customers can book you via different channels to circumvent dynamic pricing they would pay if booking direct?
 - What is the cost of customers to booking via resellers vs. direct?
- Is your pricing compliant with [Google Things to do price policies](#)?

7. Time/Resources

In order to be successful you need a person who can dedicate themselves to this project. Don't undertake Dynamic Pricing if you are already stretched thin and won't have time to monitor and tweak your strategy

How to Implement Dynamic Pricing

You're now armed with the information you need and have decided to adopt dynamic pricing into your operation. Now what? In this section we walk you through the steps to implementing dynamic pricing.

Choose a Pricing Strategy

After conducting your review of your business's objectives, position and climate; you should be comfortable deciding the type of dynamic pricing that is most suitable for your business, whether it be time-based, demand-based, peak or segmented pricing.

Establish Your Pricing Rules

Define consistent rules for setting prices, even as they may change based on demand. Consider factors such as:

- Conditions under which prices may decrease or increase.
- Times of the day or months of the year influencing pricing
- Formulas determining percentage increases.

Start Small

We recommend rolling out dynamic pricing by starting slowly. For example if you know your busiest periods where you are likely to sell out, raise your prices just a little only on those dates.

- Limit price changes to +/- a few percentage points
- Start by using only a few variables rather than complex rulesets

Implementing Dynamic Pricing contd..

Inform and Educate your Team

Ensure your customer-facing team is aware of and comfortable with your dynamic pricing policy:

- Timeline
- How the rules work
- How to address any questions that may arise from customers
- Your policy/flexibility on overriding price changes to existing bookings in the event that a booking is updated

Review and update relevant documentation as necessary

- Check your website/social/printed materials for old pricing
- Review your terms and conditions - check if they need amending



Dynamic Pricing in Zau

We've finally arrived at the most exciting part of the guide: How dynamic pricing works in Zau. Once enabled, dynamic pricing appears in under Pricing in the settings menu. You'll see a few pre-built examples of rulesets to help you get started. Work from an example or start building from scratch.

Parameters

These are the options available upon which to build your dynamic pricing rule sets. Your options and when the multiplier will apply include:

Activity-related Parameters:	Dynamic pricing applies when:
Activity	Any of the selected activities are booked
Activity month	Activity takes place within given month
Activity date range	- Takes place within given dates
Activity day of week	- Takes place on selected day(s)
Activity start/departure time	- Starts with given time range
Holiday date	- Takes place on/around selected holiday
Rental duration	Rental is for specified time period
Sale date-related Parameters:	Dynamic pricing applies when:
Booking month	Booking created within given month
Booking date range	- Created within given dates
Booking day of week	- Created on selected day(s)
Booking lead time	- Created a specified period in advance
Other Parameters:	Dynamic pricing applies when:
Load level	A given capacity is reached
Group size	Is within the specified range
Customer type	A specific passenger type is selected
Equipment category	A specific category of rental items is selected
Seat type	A specific seat type is selected

Dynamic Pricing in Zau

Multipliers

This is the amount the price changes over the original rate once the condition(s) defined in the rule set are met. For example, if the base rate is \$100, a multiplier of 1.05 would increase the price by 5% to \$105 and a multiplier of 0.95 would reduce the base price to \$95.

Calculations

When a booking is being created, Zau checks both the date ranges of both the regular price and the dynamic price rule set. If the booking meets the timing and conditions defined in the dynamic pricing ruleset, the price will be adjusted accordingly.

Price limits

Bookings qualify for price changes when they meet ANY of the parameters in the rule set, they do not need to meet ALL in order for price changes to take effect. This has the potential for multipliers to stack up and inflate a price beyond what was intended. To avoid this situation, we created pricing limits. Here you can define the minimum or maximum price cut off point, so the cost can be kept within reasonable bounds.

Applying Dynamic Pricing

After you have built your rule set, you'll need to select the activity(s) it will apply to. Head to the activity and scroll down to the Dynamic Pricing Ruleset section. Here you will find some additional rules and controls.

- Start Date/End Date for the dynamic pricing rule.
- Booking Source: Choose which channels the rule applies to or select all.

Options include:

- OBE (All portals or select portal)
- API connected Resellers in your Channel Partners list
- Company Group
- Zau Mobile app
- Core/Back Office

Additional notes

- Dynamic Pricing can be used for all activity types, however it is not available for packages, products or pricing options
- For more detailed information check out our comprehensive [Guide to Dynamic Pricing](#) located in our knowledge base.

Evaluating your Results and Honing your Strategy

Once you've rolled out your dynamic pricing strategy, it's crucial to keep a close eye on its performance. Monitoring how well it's working allows you to make adjustments as needed and ensures that it's delivering the results you're aiming for.

Review your data:

- **Earnings:** Compare your actual revenue to what your earnings would have been at your retail rate.
- **Capacity:** Did dynamic pricing reduce the number of days/time where you were sold out?
- **Spread:** Are there more bookings than usual on less popular dates such as shoulder season and on weekdays?
- **Lead time:** Are your customers starting to book earlier to get a better rate?
- **Passengers:** Did your total customer count increase, decrease or stay the same?

Other areas to monitor:

- Social media channels for any discussion regarding your new pricing
- Review whether demand and/or the economic climate was comparable to the previous year which you based your strategy on.

📊 Total Customers	📊 Base Price	📊 Subtotal
5	500.00	500.00
2	200.00	250.00
3	300.00	375.00
10	\$1,000.00	\$1,125.00

Case Studies

Here's a real-world case study of Fairview Limousine, a Rocky Tour Company, showcasing how they implemented Dynamic Pricing to boost revenue by 20% during peak months.



Fairview Limousine: A Local Rocky Mountain Success Story

Fairview Limousine started in 2016, with founder Tom Fry offering taxi and limousine services in the quaint mountain town of Lake Louise, Alberta. Over the years, the company grew into a vital part of the community, offering shuttle services, private tours, and airport transfers. Known for their reliability and local expertise, Fairview quickly expanded their fleet, growing from just 3 employees and 2 vehicles in 2021 to a team of 12 and 12 vehicles, including buses and limousines. By 2024, Fairview was transporting 500–1,000 guests daily, seven days a week, during the peak season.

Despite this growth, Fairview Limousine faced challenges in managing peak-season demand while maintaining profitability and operational efficiency.

The Need for a Dynamic Pricing Strategy

As Fairview's operations expanded, so did the customer demand. With a focus on shuttle services to popular locations like Lake Louise and Moraine Lake, Fairview's peak season created scheduling challenges. Customers often booked last minute, putting pressure on the company's resources during the busiest hours. A strategy was needed to both manage capacity and increase revenue during peak times.

Case Studies

Fairview Limousine: A Local Rocky Mountain Success Story Contd ...

Dynamic Pricing Strategy for Fairview Limousine

Fairview Limousine implemented a dynamic pricing strategy that focused on maximizing revenue and balancing customer demand throughout the day:

- **Peak Pricing (June to October):** A dynamic pricing model was applied during the busiest months, increasing prices for peak times (early morning) to encourage customers to choose less busy time slots.
- **Capacity-Based Pricing:** The pricing adjusted based on vehicle occupancy. Initially, the first 50% of seats were sold at a base price. As demand increased (at 51%–75% occupancy), prices rose by 2%, and as tours reached full capacity, prices increased by 5%. This helped spread the demand more evenly throughout the day and peak season.

Results: Increased Revenue and Balanced Load

By implementing dynamic pricing, Fairview Limousine achieved key benefits:

- **20% Increase in Revenue:** During the peak months, the dynamic pricing model helped increase overall revenue by 20%, without overwhelming the vehicles during high-demand periods.
- **Efficient Scheduling:** The tiered pricing structure helped balance the number of passengers throughout the day. Customers who were willing to book later in the day or during less busy periods were incentivized with lower prices, easing scheduling pressures.

For a detailed account of their dynamic pricing strategy and future plans, [read the full story.](#)

Case Studies



Each company's dynamic pricing strategy is proprietary, therefore we have also developed two fictional case studies to illustrate distinct approaches to implementing dynamic pricing:

Rocky River Rafting

The rocky river is located close to a major tourism hub. They have the sole right to operate on this stretch of river, which offers three different tours for all experience levels. Tours run from May to the end of September every year, with the peak season being July and August, where tours are close to or at capacity. The most popular tours are the adrenaline-inducing running rapids and conquer the rapids tours. The company has noticed that most customers are booking a day or two ahead of time when they are already at their destination.

Due to the short operating season, a small period of peak demand, proximity to a large tourism hub and the uniqueness of the experiences on offer, a combination of peak and demand-based pricing would be a good fit for this company.

Dynamic pricing plan for Rocky River Rafting:

- A 5% price increase during July and August. This is intended to have the effect of increasing revenue during this period and potentially spreading bookings into the shoulder season where demand is lower.
- A scaled price model based on load level. The first 50% of spots sold will be at base price, then once the tour is at 51% to 75% of total capacity, the price will rise by 2%, then 5% when the tour is at 76% to 100% full. This is intended to maximise revenue among in-destination customers while also incentivizing others to book further ahead to get the best price.

Case Studies

Citylink Airport Shuttle



The Citylink airport shuttle operates in a small city which is located an hour away from a domestic and international airport. There is no alternative rail or transit service. There is one competitor to Citylink, offering a similar schedule and pricing. Demand fluctuates over the year, with high periods in the days prior to and during public holidays, during winter as local residents fly out to sun destinations, and during summer as inbound visitors come to experience the city.

Dynamic pricing plan for Citylink Airport Shuttle:

- A 7% price increase on the preceding two days and following day surrounding major holidays. This is intended to boost revenue among those who have fixed travel dates and spread bookings to other days for customers with flexible travel plans.
- A 10% discount on bookings made between 90 and 30 days of travel. This should create a sense of urgency and encourage an earlier booking window and function as a competitive differentiator. Customers booking ahead near holiday dates would still benefit from the difference between the holiday premium and discounted price.

Conclusion

Dynamic pricing, while intricate and complex, if implemented thoughtfully has the potential to deliver enhanced profitability, improved operational efficiency and increased customer satisfaction. If your tour, activity or transportation business aligns with the elements necessary to employ it effectively, it could deliver a meaningful lift in profitability for your company.

If you decide to embrace dynamic pricing, Zau's Dynamic Pricing tool can help set your company up for success in the vibrant and constantly evolving landscape of the tourism industry.

Contact our Team:
Submit a Support Ticket: support@zau.com
Customer Success: customersuccess@zau.com

