



Costing & Pricing in COVID Times

Industry Topic Specialist

Name: [Debbie](#)

[Nightingale](#)

Position: Co-Owner

Company: [Haute Goat](#)

Location: [Port Hope, ON](#)

debbie@hautegoat.com

Specialist Highlights

- COVID introduced capacity restrictions and increased business costs resulting in the need to increase prices. However, smaller groups led to a better customer experience, one they were willing to pay more for.
- People often associate high prices with a high-quality experience; if you have a wonderful experience don't be afraid to be bold and charge a premium.
- Adding a new access fee to visit their property, via a "Pay what you can" donation added a new revenue stream based on the customer determining the value and generated more income than anticipated.
- In order to incentivize visitation during non-peak times, Haute Goat included lunch as part of the cost of a mid-week experience.

Discussion Ideas & Tips

COVID-19 restrictions in 2020 resulted in higher costs to operate; but also, for Haute Goat in the small community of Port Hope, a more engaging guest experience that allowed them to increase their price!

A discussion regarding the impacts of COVID-times pricing with eight tourism operators and destination management professionals generated several ideas and tips:

Offer a variety of price points

- Providing experiences at a range of prices from entry level to a VIP experience provides the ability to sample an experience at a price point guests are comfortable with, then move to a higher priced offer once they are more familiar with the company and its offer.
- At the start of COVID-19, many performing arts companies provided free virtual experiences in hopes of keeping their current customers and patrons interested. Monetizing virtual offers is now emerging and opens the door to new audiences and a great entry-level product / price point.

Consider standard increases and significant jumps in prices

- A small annual increase in prices is fairly typical and something most customers understand and expect. All businesses should be doing these types of increases.
- During the pandemic when the costs of operating are even higher many consumers realize, operators need to raise their prices more than usual. This is to cover the costs of ensuring the experience meets health safety requirements and possible enhancements. Customers are not necessarily willing to pay more for costs related to personal, protection equipment (PPE) however, investments in outdoor dining or other experiential elements will be seen positively and likely result in less resistance to significant price increases.

Pay what you want as a pricing strategy

- Haute Goat successfully added a 'Pay what you can' donation approach for general admission their farm. Westben Centre for Creativity used this same method to build their subscriber base while closed for COVID-19. Both resulted in new revenue streams.
- "Pay what you want" is typically a component of a social responsibility strategy (i.e., admission by donation with half going to a specified charity). It is possible that during the pandemic, people are open to a "pay what you want" strategy with no charity partnership as they appreciate that businesses are going through tough times and there is a societal desire to support local businesses

Test different promotional strategies

- Consumers have varying perceptions when it comes to promotional strategies and businesses may find it of benefit to test different approaches: setting future rates well in advance and offering an early booking discount, providing a value add to an early booking, or using the current season's rate for the next season, to determine the one that works best.

Look to new types of customers

- A new market is likely to view the price of your product from a different lens. They may spend more (or less). Fells Meadows, an accommodator that specialized in the retreat market, successfully repositioned their offer to attract families.
- Conduct a competitive review to understand the price of similar offerings when setting the price for a new audience.

- The education market is often overlooked. Identifying if your offer could be of value to teachers, as an education session to enrich their online learning could provide virtual programs for teachers and parents home-schooling, generating a new revenue stream that could cultivate a future on-site guest.
- If targeting a new market, consider partnering with a business that already has that market. This is the approach Haute Goat is taking with their new VIP experience that is 10 times the price of their standard product. While some of their existing customer may be interested in the product, the company is likely to get a faster response to the new experience if targeted through others already attracting the new market.

“COVID provided the time to refine, revise, polish and improve our experiences. It taught us that if the value is there, people are willing to pay.”

– Debbie Nightingale, Haute Goat

Additional Helpful Links

Stanford Business School article: [Pay what you want pricing and charitable giving](#)

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