



Revenue Management & Cost Saving Tips for the Local Tourism Industry

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Typical P&L for a 2-Bedroom Holiday Unit in Mid-Wales

ANNUAL P&L

NET REVENUES

£

14,600

Revenue Mngmt

Cleaning & Laundry

-2,500

Utilities

-2,300

Cost Optimisation

Repairs, Maintenance & Gardening

-2,000

Mgmt Co / Changeover

-1,260

TV / Broadband

-360

Advertising, Insurance, Health & Safety

-900

Other

-525

OWNER PROFIT

4,755



Biggest cost-line on the P&L is often non-transparent

ANNUAL P&L



	£
GROSS REVENUES	20,000
National Agent Commission (e.g. Sykes) (20-25%) + VAT	-5,400
NET REVENUES	14,600
Cleaning & Laundry	-2,500
Utilities	-2,300
Repairs, Maintenance & Gardening	-2,000
Other Overheads	-3,045
OWNER PROFIT	4,755

Are you comfortable with the share of value between agent and owner?



Finding a way to reduce agent/booking commission can have a dramatic impact on your bottom line



ANNUAL P&L

	AGENT-MANAGED	SELF-MANAGE	
	<u>Sykes / cottages.com</u>	<u>OTA (Booking.com)</u>	<u>Direct (Website)</u>
Commission %	20-25% + VAT	15% + VAT	3%
GROSS REVENUES	20,000	20,000	20,000
Agent Commission (20-25%) + VAT	-5,400	-3,600	-600
NET REVENUES	14,600	16,400	19,400
Overheads	-9,845	-9,845	-9,845
OWNER PROFIT	4,755	6,555	9,555



Typically 70% of bookings come from OTAs and 30% from your website when you self-manage



ANNUAL P&L

	AGENT-MANAGED <u>Sykes / cottages.com</u>	SELF-MANAGE	
		<u>OTA</u>	<u>Direct</u>
% of Bookings	100%	70%	30%
Agent Commission %	20-25% + VAT	15% + VAT	3%
GROSS REVENUES	20,000	14,000	6,000
Agent Commission (20-25%) + VAT	-5,400	-2,520	-180
NET REVENUES	14,600	11,480	5,820
Overheads	-9,845	-6,890	-2,955
OWNER PROFIT	4,755	4,590	2,865



Typically an owner can reduce agent commission + VAT from an average of 27% to 13.5% by self-managing



ANNUAL P&L

	AGENT-MANAGED	SELF-MANAGE	
Average Commission % (incl. VAT)	27%	13.5%	Agent Commission reduced by 50%
GROSS REVENUES	20,000	20,000	
Agent Commission (20-25%) + VAT	-5,400	-2,700	
NET REVENUES	14,600	17,300	
Overheads	-9,845	-9,845	Owner profit up by 57%!
OWNER PROFIT	4,755	7,455	



Always be aware of your per-booking profit when you price optimise



PER BOOKING BASIS

	AGENT-MANAGED	SELF-MANAGE
Average Commission %	27%	13.5%
# of Bookings Per annum	32	32
GROSS REVENUES	625	625
Agent Commission	-169	-84
NET REVENUES	456	541
Overheads	-308	-308
OWNER PROFIT	148	233

Price Optimisation is about maximising occupancy whilst consciously maintaining your desired per-booking profit margin



Dropping prices by 30% can mean some bookings are at or below breakeven in off-season



PER BOOKING BASIS

PRICE DISCOUNT

	AGENT-MANAGED	SELF-MANAGE
	-30%	-30%
Average Commission %	27%	13.5%
# of Bookings Per annum	32	32
GROSS REVENUES	437	437
Agent Commission	-118	-59
NET REVENUES	319	378
Overheads	-308	-308
OWNER PROFIT	11	70



Key Considerations – Revenue Management



- **Start with looking at the agent commissions you are paying**
 - Are you happy with how the value is split between agent / owner?
 - Consider asking your current agent for a commission reduction first!
 - Are there local agents offering lower commission for same service?
- **Determine whether you want to self-manage**
 - Not the right solution for all operators (technical, time-consuming, 182 day rule)
 - Need to be listed on multiple OTAs, with good review ratings, to keep the # of bookings (consider using Freetobook, Supercontrol, Lodgify)
 - Benefits are lower commissions and greater control of base pricing, pricing optimisation strategies, customer relationship management & T&Cs
- **Look at ‘per-booking’ price optimisation**
 - Is your base price and agent rating correct?
 - How often is your agent discounting your list price to achieve bookings?
 - If you self-manage, consider using dynamic pricing tools (i.e. Beyond Pricing)



Cost Saving Tips & Grant Opportunities



- **Business Energy Contracts** – always use a broker before accepting a renewal from current supplier
 - Octopus Business offers consistently best deal
 - All MWT Members can use the “Purchasing for Business” Brokering Service
- **High-Speed Internet** for your Rural Property
 - Grant of up to £800 from Access Broadband Cymru
 - Starlink Costs £570 for Hardware and £75-98 per month – Speeds >200mbs
- **Installing Electric Vehicle Charging Points**
 - £350 Workplace Charging Scheme Voucher – covers c. 50% of install cost
 - Scheme is available for B&Bs, campsites, small hotels, charities and any other accommodation business with less than 250 employees



Any Questions?



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