



Grow your
accommodation
business

PRICING

 flairbnb

Boutique Property Management

flairbnb.com.au

Cost analysis

CONGRATULATIONS

You have now become both a property investor and a business owner. As a property investor you need your property to be positively geared, so it doesn't cost you money.

As a business owner you need to operate a profitable business, which is why pricing is so important. You need to determine the following:

- Your break even - how much you need to earn to cover costs (the lowest cost per night).
- Your rack rate - how much you need to charge to make a profit, and which your market will pay (the highest cost per night).

COSTS TO RUN YOUR PROPERTY

What do you spend each year? Think of everything that goes into the property and don't forget to fix things that are broken or they will be an added cost later.*

Description	Billing cycle & total cost	Cost per year
Mortgage		
Council rates		
Water rates / usage		
Electricity / gas		
Internet / phone		
Insurance		
Maintenance / repairs / improvements		
Gardening		
Property management		
Marketing / promotion		

What is your per year cost: \$ _____

** We have not included cleaning, household and consumable goods or linen hire/laundry in this rate as they become a cost per booking.

Breaking even

BREAK-EVEN

The per-night rate is not your break-even as you will not have 100% occupancy. Your occupancy rate is going to differ depending on where you are located.

Your local or regional or state tourism authority should have occupancy rates on your local area. Some things to be aware:

How are the occupancy rates calculated - does it include ALL accommodation (caravan parks through to resorts and everything in between). For many areas accommodation with less than 5 people are not registered (and are not required to be) so these properties are not included in occupancy rates. However, the figure you find will give you a rough idea.

Our suggestion is you take the occupancy rate and reduce it by 10-15% so you can be realistic with your bookings, especially as a start-up. So if your regional occupancy rate is 80% - maybe aiming for 65% is realistic for you.

Here is how you work out your break-even:

Number of nights per year
multiplied occupancy rate
= total room nights per year

Total cost per year divided by total room nights
= break-even

So, if your occupancy rate goal is 65% and your cost per year is \$25,000 the sum would be:

$$365 \times .65 = 237$$

$25,000/237 = \$105.50$ is your break even per night rate to cover the costs.

This is the lowest rate you would ever go. When setting your break even, you also need to consider cleaning, household and consumable goods or linen hire/laundry which are a cost per booking.

RACK RATE

All accommodation places will have a rack rate which is their normal rate they will charge, before any discounts are applied. Your rack rate will depend on the following factors including how much others in your area are charging for similar properties, your style of property and how much your market will pay and how much profitability you would get from your property. What is your break-even rate (including the per booking costs) and the percentage you would like to be earning.

Pricing strategies

PRICING STRATEGIES

These are some common pricing strategies accommodation businesses use.

Price match your competitors

If there is an accommodation provider near you who you consider to be a competitor, set your rate at the same price point.

Why? You will remove the price reason for why people are or aren't booking with you.

Get psychological

Set your rates at an unrounded price – for example, \$99 instead of \$100. The odd pricing technique is simple, but effective, making it one of the most common pricing strategies used around the world. We're just wired to be more attracted to the odd price.

Why? Some say that it's because of the digital places – for example, if 9 gets rounded up to 10, 10 itself has two unit places, therefore the amount will be psychologically perceived as a lot higher despite its real difference. This technique is psychologically proven to work, so use it to boost room sales.

Be better than the rest

Set your room rates higher than your competitors. Consider throwing in some extras to justify the increase in price.

Why? By doing so, you will set a standard that your property is of higher value and therefore worth paying more. If you pursue this strategy, be sure to deliver on your value promises.

Penetrate the market

Offer your rooms at the lowest price possible to draw in a crowd of guests to your accommodation.

Why? Most guests are familiar with the idea of running promotional discounts to raise awareness, so this strategy is great to get the word out about your property. However, it should not be long term – do it in short bursts or your guests may start thinking you're of low value, and your profit margins will drop over time.

THE MISSION

Flairbnb Boutique Property Management is on a mission to provide short-term rental property owners with increased revenue, and guests with quality accommodation. We do this while taking the hassle out of promoting and hosting Flairbnb 5-Star Standard holiday rentals.

Operating in Ballarat, Geelong and on the Surf Coast.

Eve Fisher Owner



As a successful Airbnb host Eve would like to share her knowledge, and experience, and see others have the same success she has had.

Eve's background is in media and education so communication is her thing, while her passion for tourism has emerged from living in Torquay, one of the busiest holiday destinations in Australia.

Rachel Allan Owner



Strategic marketing is Rachel's thing. Seeing businesses flourish with effective marketing is her passion.

Rachel's background is tourism management including spearheading Visitor Information Centres and regional marketing. She has also run her own self-contained accommodation, always at high occupancy.