



B.Com Honours

Semester VI

Calicut University

ITINERARY PLANNING AND PACKAGING

Course Code: COM6EJ310 • Module 3 Notes

Module III: Package Tour Costing & Pricing

Covers cost concepts & classification, tour cost components, cost sheet preparation, Single Room Supplement, Triple Room Reduction, FIT vs GIT costing, controllable costs, and tour pricing strategies.

Unit 14: Cost Concepts, Classification, & Direct vs Indirect Costs

Cost Breakdown:

- **Direct Costs (Variable):** Expenses directly tied to individual pax (Meals, entrance tickets, hotel twin-sharing room cost).
- **Fixed Costs (Group):** Fixed expenses divided across group pax (Coach charter, tour escort fee, toll taxes).

Unit 15: Tour Package Types & Formulation Process

Package Types: Escorted tours, Hosted tours, & Independent packages. **Formulation:** Component assembly $\rightarrow$ Negotiating net rates $\rightarrow$ Applying margin markup.

Unit 16: Cost Components, Cost Sheet, & Room Supplements

Cost Supplements:

- **Single Room Supplement (SRS):** Extra charge levied on a solo traveler occupying a double room alone.
- **Triple Room Reduction (TRR):** Discount offered when a 3rd guest shares a room with an extra bed.

Unit 17: Costing FIT & GIT Packages (Controllable Costs)

Controllable vs Non-Controllable Costs: Controllable costs (Meal allowances, local guide fees) vs Non-controllable costs (Exchange rate fluctuations, GST/Tax rate changes, fuel surcharges).

Unit 18: Tour Package Pricing Strategies

Pricing Models: Cost-Plus Pricing (Total Cost + 15-20% Profit Margin), Competition-Based Pricing, Penetration Pricing, & Seasonal Demand Pricing.

Practical Solved Tour Costing Problem (5-Day Kerala Package Cost Sheet & Per Pax Price): Calculate total package cost & selling price per pax for a 4-Pax FIT family tour (5 Days / 4 Nights).

Cost Breakdown: Deluxe Coach Charter = \$ ₹30,000 \$ (Fixed), Hotel Rooms (2 Double Rooms for 4 Nights @ ₹4,000/night/room) = \$ ₹32,000 \$, Meals = \$ ₹12,000 \$, Entrance Tickets = \$ ₹4,000 \$, Escort Fee = \$ ₹10,000 \$.
Target Profit Margin = \$ 20\% \$.

Price Per Pax = (Total Direct Costs + Fixed Costs) / Pax Count + 20% Profit Margin

Step-by-Step Cost Sheet Working:

1. Total Fixed Costs (Coach + Escort) = \$ ₹30,000 + ₹10,000 = $\mathbf{₹40,000}$ \$.
2. Total Direct Costs (Hotel + Meals + Tickets) = \$ ₹32,000 + ₹12,000 + ₹4,000 = $\mathbf{₹48,000}$ \$.
3. Total Net Group Cost = \$ ₹40,000 + ₹48,000 = $\mathbf{₹88,000}$ \$.

4. Net Cost Per Pax (for 4 Pax) = $\frac{\text{₹}88,000}{4} = \text{₹}22,000$ \$.
5. **Selling Price Per Pax** (with 20% Margin) = $\text{₹}22,000 \times 1.20 = \text{₹}26,400$ \$.

Practical Case Framework 2 (Package Tour Pricing Strategies Comparison Matrix): Compare pricing model name, calculation formula, market scenario application, and profit risk level.

Tour Package Pricing Strategies Table:

Pricing Strategy Name	Core Pricing Formula	Market Scenario Application
Cost-Plus Pricing Model	Selling Price = Net Cost + Profit Margin %	Standard FIT & GIT tour packages
Seasonal Tiered Pricing	Peak Rate = Base + 30%; Off-Peak = Base - 25%	Beach & Hill Station resort packages
Penetration Pricing	Selling Price = Net Cost + 5% Initial Margin	Launching new tour operator brand

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