



**Fáilte Ireland**

National Tourism Development Authority

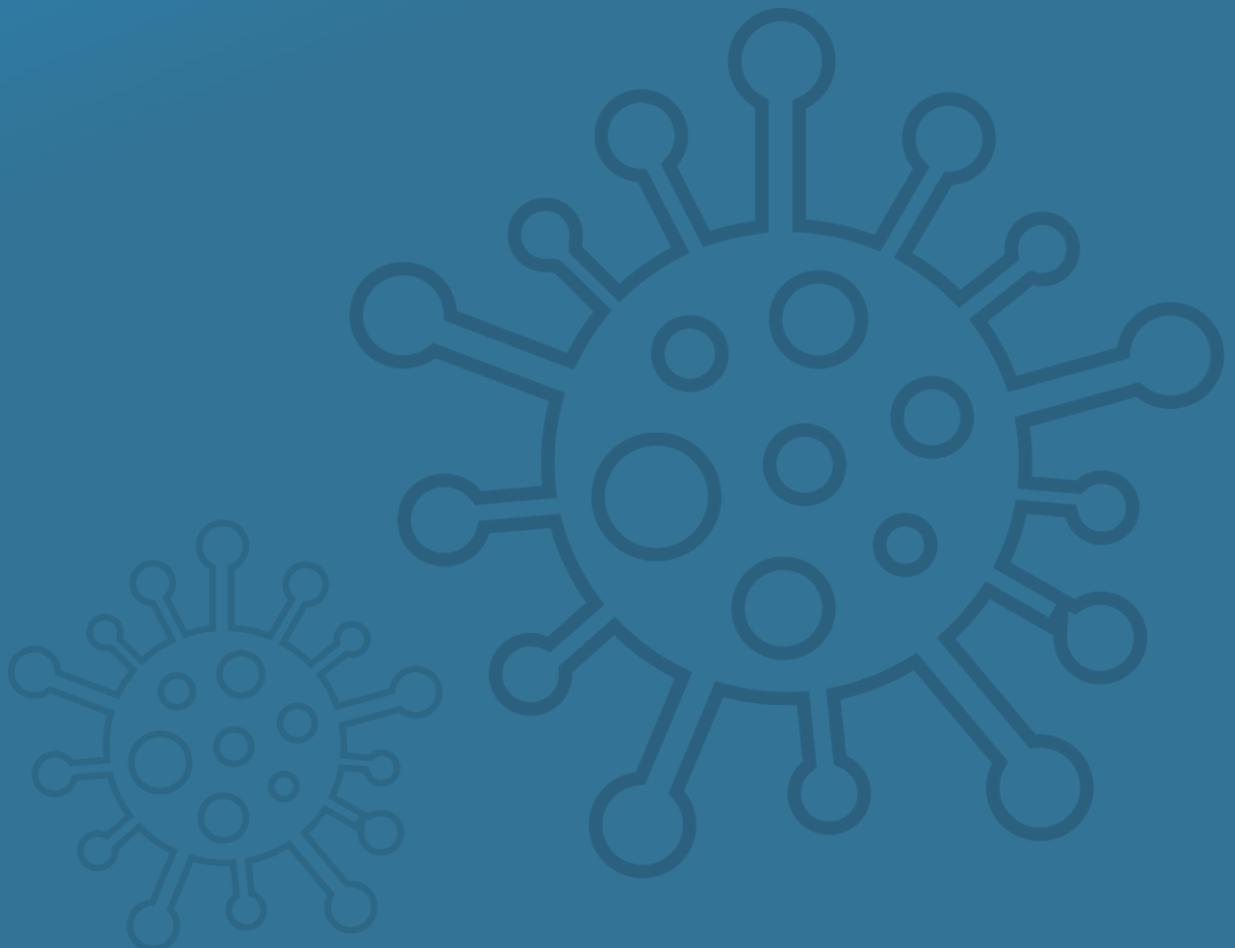
## **GUIDANCE NOTE:**

# **PRICING AND BREAKEVEN CALCULATOR**

## **COVID-19 SALES & MARKETING FOR RECOVERY DRIVING DOMESTIC SALES**

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**Attention | Interest | Desire | Reassure | Action**



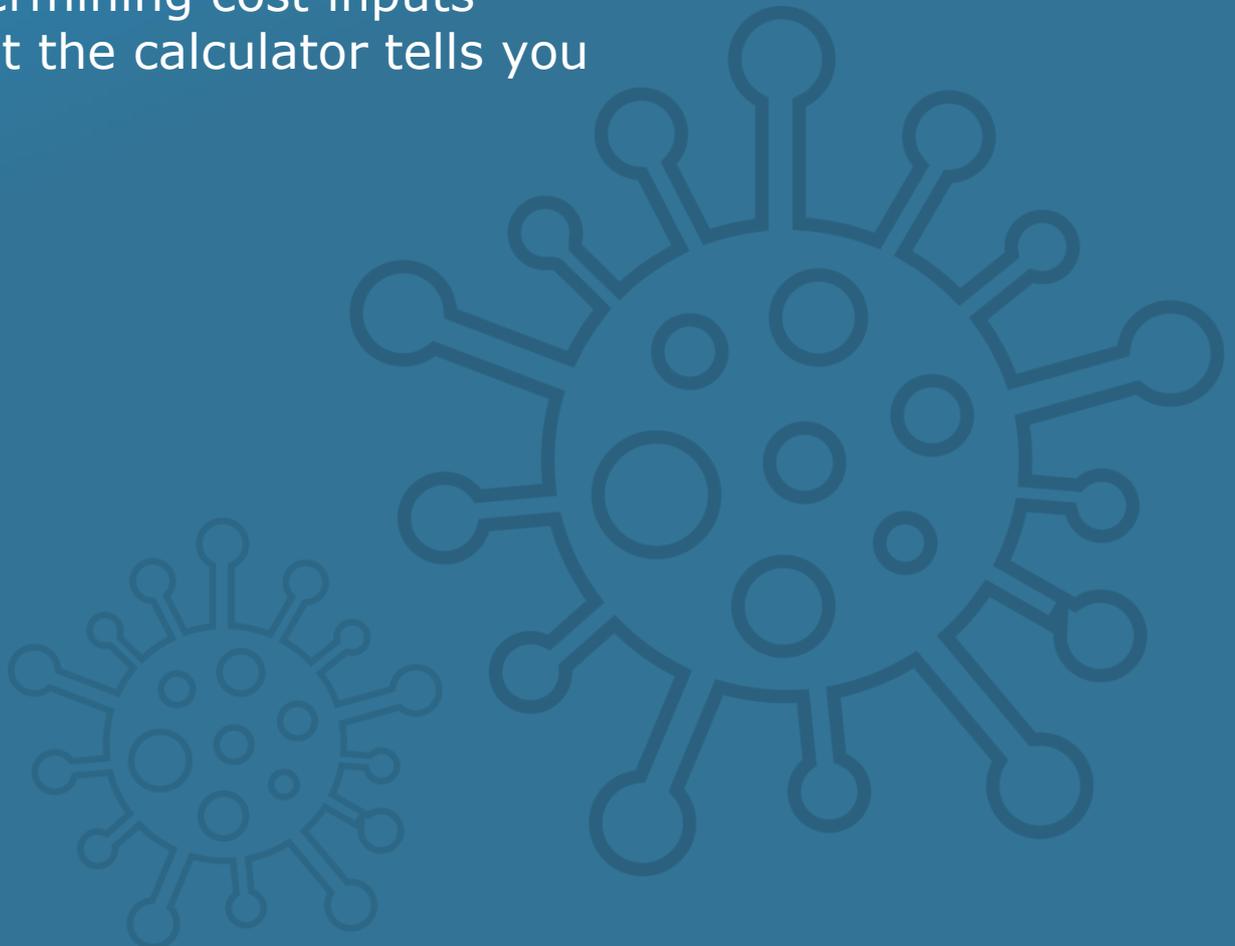
# INTRODUCTION

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This Guidance Note is a supporting document to the Fáilte Ireland Pricing and Breakeven Calculator

It will help you to use the calculator and includes guidance on:

- Populating the calculator
- Determining cost inputs
- What the calculator tells you



## Overview

This pricing and breakeven calculator tells you the minimum level of sales you will need to breakeven. It shows your ticket price, the associated variable costs, fixed costs and contribution margin and breakeven point.

This calculator allows you to change your price and volume to help understand the relationship with pricing and volume in relation to profitability.

## Using the Pricing and Breakeven Calculator

There are 3 tabs in the Calculator:

- **Pricing and Breakeven Calculator** – this is the calculator
- **Cost Calculations** – this is for the business to work out their costs if they don't know them. This is not linked to the pricing and breakeven calculator tab.
- **Example** – this is a combination of the above 2 tabs and is for illustrative purposes to show an example.

In each of the tabs complete the **orange cells** only.

### Pricing and Breakeven Calculator

There are two columns (Option 1 and Comparison). This will allow you to directly compare two scenarios. This is particularly useful if you are working out the size of a group and different pricing options. This will be especially relevant when you are looking to determine what level of sales/or tickets/customers you need to breakeven. Questions:

1. *How many are in the Group?* Insert the number of people in the group.
2. *What is the ticket price?* Insert the ticket price including VAT.
3. *Insert the correct VAT Rate for the ticket:* Insert the VAT rate e.g. reduced rate; or standard rate if applicable. Current VAT rates are shown on Rows 38 and 39.
4. *Insert an Add-On (per ticket):* These are inclusions that you may add to the ticket. For example, a beverage, upgraded beverage, gift, memento, etc.
5. *Insert the correct VAT Rate for the Add-On:* i.e. the applicable rate: reduced or standard rate
6. *Insert a second Add-On (per ticket):* This would be for a second inclusion such as beverage, upgraded beverage, extra time, gift, memento, etc.
7. *Insert the correct VAT Rate for the second Add-On:* The applicable rate: reduced or standard rate

## Pricing and Breakeven Calculator, continued.

8. *Insert the total Variable Costs per ticket:* These are the direct costs associated with the ticket and the 'add-ons'. If you are unsure of these costs, you can calculate them using the *Cost Calculations* tab. These costs will include the following:
- Collateral (e.g. audio/book/map/leaflet),
  - Experience Inclusion (e.g. beverage, plant, gift, memento, upgraded beverage),
  - Other: there may be other direct costs with the sale of the ticket. These could include, for example, disposable gloves/flipflops/glasses,
  - Add-On direct costs: the cost of an inclusion, for example the cost of a cup of coffee or a plant.
9. *Insert online transaction cost % (if applicable):* This is applicable only for online transaction costs, i.e. 3rd party / OTA site commission, website booking engine commission
10. *What is your payroll cost for this group?* Insert the cost of your payroll for conducting this tour/group. If you are unsure, you can use the *Cost Calculations* tab to work this out. Be sure to include additional personnel/hours if the number of your group increases.
11. *Insert Fixed Cost Contribution:* The fixed costs of the business are costs/overheads that do not change with a change in output. Rent, rates and insurance are three examples. Total Fixed Costs can be calculated in the *Cost Calculations* tab. Using this as a guide, determine the level of fixed costs to include in the calculation.

**Total Price and Net Price:** Cells C28 and E28 show the total price of the ticket inclusive of VAT. The net price (i.e. net of VAT) is shown in cells C29 and E29.

The following calculations are shown in rows 31 to 34:

**Contribution Margin %:** The contribution margin is the sales price (net) minus the variable costs. The remaining is what is left to cover fixed costs. This is shown as a percentage.

**Breakeven Sales:** This is the amount of sales the business has to achieve in order to breakeven. It is calculated by dividing the fixed costs by the contribution margin %. In this calculator we have included payroll costs as a fixed cost as we are not using a percentage of sales to calculate payroll.

**Breakeven Number of Tickets/Customers:** This is the number of tickets or customers (units), the business needs to sell to breakeven. It is calculated by dividing the fixed costs by the contribution margin (i.e. the net sales price less the variable costs).

**Net Profit/Loss:** This is the total revenue minus the total costs (fixed and variable).



## Cost Calculations

This tab is to be used to assist in calculating the variable and fixed costs. It looks at three cost categories: Payroll, Variable Costs and Fixed Costs.

Populate the **orange cells** only.

**Payroll Costs:** This allows you to calculate the payroll cost for a group/tour. There are two tables, which will allow you to show the staffing you will need for a regular size tour or a larger group where you may need additional staff. This is to be used for calculating the payroll costs directly associated with holding the tour/group. For example, tour guides, instructors or other staff. It does not include, for example, the general manager who would be present regardless of the tour.

Within this calculator, payroll costs are included as a calculated fixed amount and not as a percentage of sales. It is therefore important to determine the correct payroll costs per size of group.

Complete this exercise in columns C through I and rows 21 to 28.

To calculate your payroll costs you will need the following information:

- Number of hours required: this will be the number of hours per employee for the tour/experience.
- The rate per hour: the hourly rate for the employee.
- PRSI. At present, the PRSI Class A rates are 8.8% on weekly earnings up to €386 or 11.05% on earnings over €386 per week. See <https://www.gov.ie/en/publication/ffa563-prsi-class-a-rates/> for additional information.
- Holiday Pay/Annual Leave. Include a percentage for holiday entitlements.

**Variable Costs:** The variable costs are the direct costs associated with the sale of the ticket and include the following. They should be costed on a per ticket/person basis:

Complete this exercise in column C, rows 32 to 40.

- *Collateral:* This may include audio/book/leaflet/map that you would provide as part of the tour/experience.
- *Experience Inclusion:* This is a direct cost of the sale of the ticket. For example, a beverage (e.g. whiskey tasting), gift, plant, memento, pens, etc.
- *Other:* Other variable costs would include any other direct costs not included in the above. For example, if the business provided disposable gloves to each ticket holder/customer or disposable glasses for a 3D movie.
- *Any ticket Add-Ons/inclusions:* the cost of any ticket 'Add-On' should be included. For example if an Add-On is a cup of coffee and a slice of cake, the cost of this should be included as a variable cost (cost of goods sold).



## Cost Calculations, continued.

- *Online Transaction Cost:* If applicable, (i.e. online B2C sales) include an online transaction/commission cost percentage. This will relate to an online commission percentage for 3<sup>rd</sup> party/OTA or own website transactions.

**Fixed Costs:** Fixed Costs do not vary with output. They include overheads such as rent, rates, insurance, office staff, sales and marketing, utilities, repairs, maintenance, administration and other such costs.

This fixed cost calculation is for guidance purposes only. The amount you use in the breakeven calculator may be less than the daily rate calculated in cell D57.

Complete this exercise in Column C, Rows 51-56 as follows:

*Annual Cost:* Calculate your annual costs for the relevant fixed cost line items.

This may be for last year or your full-year budget for this year.

Include the number of days that your business is open annually. This may be 365 or less, particularly if you are a seasonal business.

The total per day cost is shown in cell D57.

## Example

The final tab is the Example. This is a combination of the two previous tabs/excel sheets and is for illustrative purposes, showing a completed example.