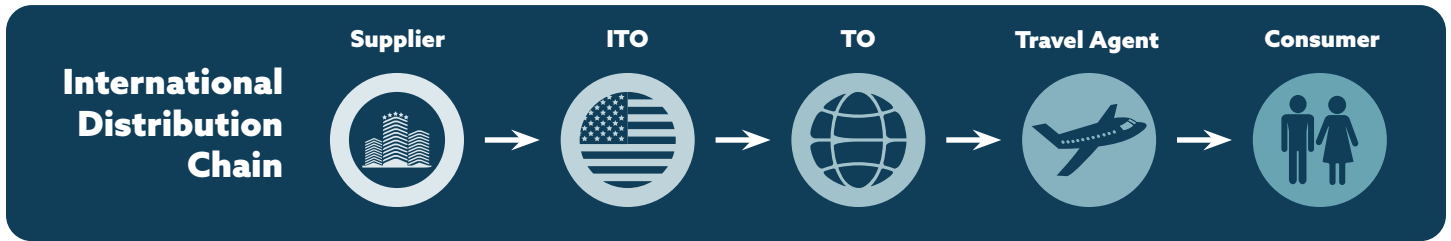


Calculating Net Rate



1. Rack Rate (100%)

(example: \$100)

This is your published retail rate. The consumer should always pay the same rate, whether buying directly from the supplier or through the international distribution chain.

2. TA Purchase Price (-10%)

$(\$100 \times .10 = \$10; \$100 - \$10 = \$90)$

The travel agent will buy the room for \$90, making a \$10 profit when selling it to the consumer.

3. TO Purchase Price (-20%)

$(\$100 \times .20 = \$20; \$100 - \$20 = \$80)$

The tour operator will buy the room for \$80, making a \$10 profit when selling it to the travel agent.

4. ITO Purchase Price (-25%)

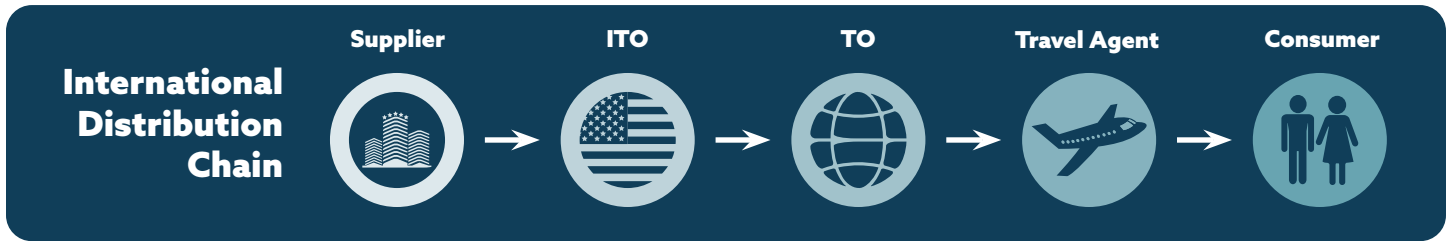
$(\$100 \times .25 = \$25; \$100 - \$25 = \$75)$

The inbound tour operator will buy the room for \$75, making a \$5 profit when selling it to the tour operator.
This is your net rate.*

**Repeat this exercise to determine your net rate for your weekday rate, weekend rate, peak travel season, holidays, etc. Your contract can feature different net rates based on the changing travel season and demand.*

	Supplier	ITO	TO	Travel Agent	Consumer
Purchase Price	-	\$75	\$80	\$90	\$100
Profit	\$75	\$5	\$10	\$10	-

Calculating Net Rate



1. Rack Rate (100%)

\$ _____

This is your published retail rate. The consumer should always pay the same rate, whether buying directly from the supplier or through the international distribution chain.

2. TA Purchase Price (-10%)

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & \times .10 = & \underline{\hspace{2cm}} & | & \$ & \underline{\hspace{2cm}} & - & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ \text{rack rate} & & & 10\% & & \text{rack rate} & & 10\% & & & \text{TA purchase price} \end{array}$$

The travel agent will buy the room for \$_____, making a \$_____ profit when selling it to the consumer.

3. TO Purchase Price (-20%)

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & \times .20 = & \underline{\hspace{2cm}} & | & \$ & \underline{\hspace{2cm}} & - & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ \text{rack rate} & & & 20\% & & \text{rack rate} & & 20\% & & & \text{TO purchase price} \end{array}$$

The tour operator will buy the room for \$_____, making a \$_____ profit when selling it to the travel agent.

4. ITO Purchase Price (-25%)

$$\begin{array}{ccccccc} \$ & \underline{\hspace{2cm}} & \times .25 = & \underline{\hspace{2cm}} & | & \$ & \underline{\hspace{2cm}} & - & \underline{\hspace{2cm}} & = & \$ & \underline{\hspace{2cm}} \\ \text{rack rate} & & & 25\% & & \text{rack rate} & & 25\% & & & \text{ITO purchase price} \end{array}$$

The inbound tour operator will buy the room for \$_____, making a \$_____ profit when selling it to the tour operator.

This is your net rate.*

*Repeat this exercise to determine your net rate for your weekday rate, weekend rate, peak travel season, holidays, etc. Your contract can feature different net rates based on the changing travel season and demand.

Produced by:



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