

Priceline business model

[Business](#)



Priceline Business Model The core components of Priceline's business model are based around their pioneered and patented reverse auction pricing model which is a unique offering within the travel market place. This innovative model allows consumers to purchase travel services at a discounted prices by trading off brand and features. Priceline uses a business model known as brokerage model where a business creates their own market by bringing buyers and sellers together.

Priceline operate as the middle man or broker bringing the two parties together in a seamless and friendly manner. Revenue is earned based on the difference between the "Name your own price" amount entered by the customer and the amount charged by the service provider such as the airline. A more traditional travel agency model is also used by them offering a list of prices the customer can choose from and in this case Priceline receives a commission/agents fee.

Is the Priceline Model a sustainable one? ? During Priceline's early start up days they experimented with variations of its business model by offering groceries and gasoline, which initially had negative impacts on profitability. However Priceline's management was able to adapt and focus their model so that it started producing significant returns. ? Priceline improved from a \$1 billion loss to a profit of over \$10 million between the years of 1999 to 2003.

Since 2003 Priceline has continued to be profitable and grow, increasing its stock price over 27 times from its lowest to slightly under \$200 USD in 2010 and is now sporting a market valuation of \$8.8 billion. ? Additionally Priceline announced a ground breaking hotel price guarantee that pays

customers a nominal reward if they find a lower price than the one offered by Priceline. ? As part of their expansion and growth they recently acquired the multinational car hire reservation service TravelJigsaw to provide more their value added services to their customers. Although the travel industry is saturated and has ever increasing competition, the population of the internet and those willing to buy goods and services over the web also continues to grow. Priceline Model- Changes Priceline has changed its business model since 2007 focusing more on traditional online reservation services. Customers have the flexibility to select from brand and features rather than their more restrictive and discount “ Name your own price” model.

The Priceline website is now organized much like those of its competitors. Customers can still choose to bid, but this is no longer the only option. Value formoneyremains high, strengthened by elimination of booking fees, while service quality has improved. Priceline also continues to strive towards providing customers with a superior user-friendly service such as the launch in Jan 2009 of a The Travel Ekspert blog providing advice to consumers and also offering over 2. 5 million hotel reviews (PhoCusWright)