

# Priceline.com harvard business case flashcard



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Summary Priceline. com is an e-commerce site which when founded in 1998, brought forth a new angle to conduct business. Traditionally marketers scan the market to determine which prices purchasers are willing and able to pay for products or services.

The sellers then offer their product for a price which meets their internal criteria. With priceline, instead of the seller setting the price, the buyer makes an offer of what he or she is willing to pay and sellers compete for the buyers business. This innovation represented a first in that general non commercial consumers have never been able to name the price they will pay and have sellers respond. Problem Analysis After enjoying much initial success by utilizing the internet and a patented technology which connected buyers to sellers, priceline began to suffer growing pains early on.

Initially priceline was successful because it concentrated solely on airline seats. Airlines were more than happy to fill empty seats for any price rather than fly with an undersold plane. Copying its success, priceline quickly followed into offering hotel rooms, another commodity in which hotels would rather book a room at a minimal price than have it empty. As priceline spread out to encompass more areas such as home mortgages and groceries, it faced a diluted image to shoppers.

Some ventures were huge resource drains to the company both financially and in talent. As employees tried fixing what was wrong with problem areas, profitable areas such as hotels and airfare began to receive direct competition from the airlines and hotels themselves as well as other websites such as expedia. om. Solution Analysis We can consider the

following alternative solutions: •Concentration Option. Focus on just one product or just one arena. Instead of offering everything under the sun from food to long distance to mortgages and auto sales, streamline the offerings.

Priceline could focus exclusively on travel related products. Flights, hotels, vacation packages, cruises etc. Alternatively priceline could focus on just ticket sales. Not only airline tickets but also movie tickets, sporting tickets, theatrical tickets and others such as museums and amusement parks.

International Option.

Currently priceline offers flights that must originate in the United States or Puerto Rico. Priceline could expand its offerings to international flights, international hotels, car rental and other vacation products to consumers who are seeking to travel outside of the country. This would exponentially increase the market presence as not only would this service be used by Americans seeking to go abroad but also by those in other countries where the services are offered. •Service Options. Instead of fighting off competition from airlines offering flights for sale on their own websites, form alliances and contracts with the airlines which would centralize all flight booking.

Users to airlines individual websites would be redirected to priceline.

Priceline would serve as a service site facilitating the purchase of airline tickets and receive a commission on each flight as payment. Best Solution By using the concentration option and going with just travel related products, priceline can reposition itself without changing its identity. By focusing on what it does best, priceline can concentrate on offering travel products rather than spreading itself to multiple industries and products.

Priceline would focus solely on the travel industry which would reinforce its brand power. Automobile sales, food, financial products and communication products would be replaced by vacation packages, train and bus tickets and cruises. Justification This solution is the best strategy because:

- Travel is what priceline is known for and what its original intent was. Travel tickets and hotel rooms make up an overwhelming majority of pricelines revenues.

- Offer on screen pricing for those who are not interested in making their own price offer.

- Bundle services to offer vacation packages and substantial discounts.

Argument It can be argued, however, that our solution suffers from the

following drawbacks:

- Competitors already implementing this approach.

- Travel industry is too segmented.
- Customers may prefer ease of expedia.

com. Counter-argument The above argument is not well-founded because:

Priceline has a competitive advantage over competitors based on its marketing plan and name recognition, by adjusting itself to better suit customers and fend off competitors priceline is already ahead of the pack.

- By offering travel packages priceline can become a one stop shop for

- business and leisure travelers.
- Successful attributes of all competitors

would be studied and incorporated with pricelines already existing patented technology. Conclusion Pricelines core competency is its ability to offer a

product buyers want at prices they demand. By retaining this attribute but

also offering the opportunity for buyers to purchase all of their travel related

products at the lowest price possible priceline is able to reach out to cost

conscious shoppers in the travel industry.

By focusing on what priceline is well known for and improving it to accommodate more buyers and more flexible options, priceline should retain a high customer return rate. Additionally, by narrowing the focus of the company to just travel products priceline will position itself as a true destination website - anyone desiring to travel will want to check with priceline before going elsewhere.