Pricing – priceline essay

1. Define price sensitivity.

Provide relevant examples. Price sensitivity for a customer can be defined as the extent to which price plays a role in the decision making process. For example a price sensitive customer using Priceline. com who was so far brand loyal to an airline would switch to another airline when given the option of tickets at half the previous cost. 2.

What can you say about the price sensitivity of Priceline's customers? The customers of Priceline are highly price sensitive as they are willing to change their brand loyalty and adjust their travel plans to find the best price. The customers of Priceline would also show attributes of Price searchers. This means that they would examine a number of combinations of the travel services on offer to find the best combination. 3. What effect would Priceline's prices be likely to have on the reference prices customer's born in mind for travel and mortgage services? Reference prices used by a customer are based on the past pricing activity for a product and serve as the points of comparison in future purchases. Priceline's prices for a product which means lower fares those other competing products would have a long term negative effect on the reference price.

The effectiveness of any offline brand promotions would also be lost on Priceline customers. This would be applicable for any product offered by Priceline like travel and mortgage services. In the case of travel the lowest airfare and hotel cost would tighten the budget for the airline/hotel and in case of mortgage services i. e. Interest rates, financial institutions would

have little or no room to maneuver the rate to reflect the true market scenario.

4. How does the company's lowest-cost loan guarantee affect a customer's perception of the product's value? The customer can develop two sets of perception, either that the loan market available offline is artificially inflated or the one available on Priceline is correct and the best option or that there is a hidden cost in the loan rate being offered on Priceline.