

## Priceline (A) (B)

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### **Introduction:**

In the traditional model of commerce, a seller advertises a unit of supply in the marketplace at a specified price, and a buyer takes it or leaves it. Priceline turns that model around. We allow a buyer to advertise a unit of demand to a group of sellers. The sellers can then decide whether to fulfill that demand or not. In effect, we provide a mechanism for collecting and forwarding units of demand to interested sellers.<sup>i</sup>

Jay Walker  
Priceline founder

Founded in 1996, Priceline released the world's first buyer-driven online commerce service model in April 1998. Instead of dictating prices to online consumers, Priceline empowered buyers to state what prices--within certain boundaries--they were willing to pay. This revolutionary "name-your-price" Internet service initially sold airline tickets to budget-conscious leisure travelers.

In the first week of the "name-your-price" airline ticket offering, Priceline recorded over one million visitors. By May 1998, six weeks after its launch, Priceline had sold 10,000 leisure airline tickets. By the end of 1999, it was achieving weekly sales highs of 70,000 tickets and had sold more than 700,000 tickets overall.

Jay Walker, founder and vice-chairman of Priceline's board of directors, was convinced that the "name-your-price" service business model could be easily adapted to other product categories. Backed by the support of numerous Internet industry experts, Walker forecasted:

[Y]ou'll see it everywhere. We've already announced that we intend to extend our pricing model to hundreds if not thousands of products and services.<sup>ii</sup>

When looking for what the next category would be for the horizontal Priceline "name-your-own-price" model, we were told overwhelmingly by consumers that it should be groceries.<sup>iii</sup>

In November 1999, Priceline extended its model to the grocery business.

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